

ONTARIO

WINE AND GRAPE

INDUSTRY

TASK FORCE

REPORT

MAY 12, 1986

PREFACE

The Report herein represents a consensus of opinions developed from an objective assessment of data available regarding wine production, sale and importation, and conclusions drawn after many hours of hearings and many more hours of discussion and debate within the Task Force.

The Report, by design, is not a compilation of statistics. They have been deliberately avoided as, for the most part, they represent "windows in time". However, where trends were evident and real, they have been indicated in the text. Because of the inter-relatedness of many factors, it was unavoidable that some repetition occur.

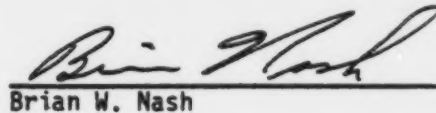
Many Recommendations are presented for consideration by the appropriate organizations. Some, in themselves, are of minor importance but they add up to something of value; a few are reiterations of Recommendations made, sometimes repeatedly, before; and others are significant departures from approaches considered previously. Some Recommendations are mutually exclusive i.e. adoption of one Recommendation may negate the need for acceptance of another. In total, the Recommendations offer alternatives.

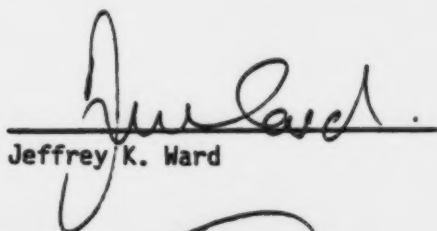
The grower and winery personnel on the Task Force served not as representatives of their organizations but as individuals knowledgeable in specific facets of the industry. In an industry as complex and diverse as the grape and wine industry, there are different problems and different solutions. However, foremost in the minds of the Task Force members was the compelling need to recommend for the longterm future viability.

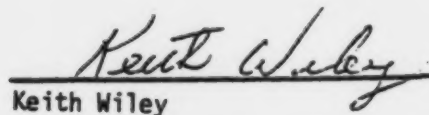
When announced by the Government of Ontario, the then Minister of Agriculture and Food said that the Task Force would analyze the problems and examine the opportunities for Ontario's wine and grape industries. He stated further "It (the Task Force) will also develop ways in which producers, processors and government can work together to enhance the performance and prospect of the industry in the long term".

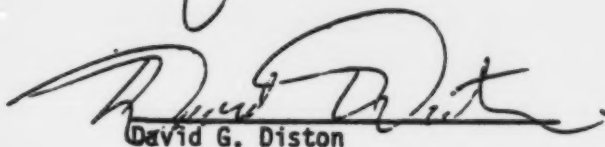
This Report, respectfully submitted, is the Task Force's response to the Government's mandate.

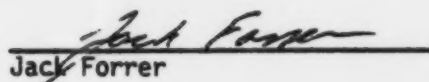

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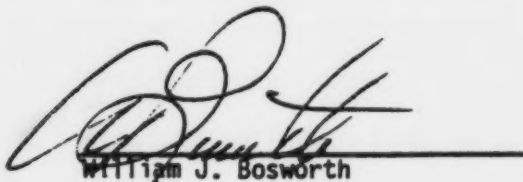

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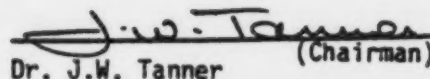

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EXECUTIVE SUMMARY AND LISTING OF RECOMMENDATIONS

There is a place for an Ontario grape and wine industry. The soil and climatic resources are suited to the production of excellent quality wines. The industries provide jobs for those directly involved and employment for many companies servicing the industries. Ontario wine quality is improving and should continue to improve even more quickly in the future. Consumer attitudes are improving but have not reached the stage where, at the same price and quality, consumers will opt for Ontario wines.

The Report is based on the assumption that unrestricted free trade will not transpire. In the event that it does, it would negate the value of the Report in that, under total free trade, the industry would be placed in dramatic jeopardy.

Also, the Report and Recommendations are based on the assumption that the 65% markup differential, established at the 1979 GATT agreement, would remain in place.

The major problems facing the Ontario wine industry today include: Government policy; competition from cheap, subsidized imports; quality and quality standards; image; and volume.

So long as foreign governments continue to subsidize their wine and grape industries, some degree of protection, through preferential pricing, will be necessary if our industry is to survive; however, the longterm viability of the industry cannot be secured by preferential pricing alone. As consumers become more sophisticated, quality will become the most compelling factor. It is urgent that Ontario table wines become recognized by consumers as being equivalent in quality at

a lower price or better in quality at the same price. To be recognized as such, this must be so in fact. To that end, it is essential that, for table wines, the use of labrusca grapes and the use of stretch be phased out (Recommendations 5, 7); major new plantings of hybrid and vinifera grapes (Recommendation 16) occur, with research, education and extension backup (Recommendations 19, 20, 21, 22, 23); and grapes be purchased on a sugar standard (Recommendation 4).

As quality improves, it will become easier to change consumer perception and the image of Ontario wines. Governments as well as the industry have a role in this. Governments can set the example through their own commitment in the purchase of Ontario wines (Recommendations 3, 11) but, in addition, through more flexible marketing of wine (Recommendations 11, 13, 14, 28), through market promotion through the LCBO (Recommendation 11, 13, 27), through increased visibility of Ontario wines and wineries for tourists and citizens alike (Recommendations 13, 25, 27), and through participation with growers and wineries in promotional programs (Recommendation 6, 27).

Some structural changes are recommended, the most novel being the establishment of a Grape and Wine "Commission" to serve as the main (sole) instrument of Government in the grape and wine industries (Recommendation 1).

There is a potential for a significant increase in total grape production and wine sales if the proper steps to improve quality of Ontario table wines are taken (see above). The largest single potential for expansion would be wrought through the sale of only Ontario wines in grocery stores (Recommendation 14) and through making

major inroads into the current home winemaking market (Recommendations 2, 15, 17, 18). Such expansion in volume of production could occur without a significant increase in total wine consumed, but rather, through the substitution by consumers of foreign wine and home made wine by Ontario produced wines.

Implementation of several of the Recommendations (16, 20, 21, 22, 27, 29) will require some significant investment by the government. Also, elimination of stretch and labruscas from the manufacture of table wine (Recommendations 5, 7) will increase winery costs of production. Unless some additional outside forms of revenue to affect these increased costs are forthcoming, these Recommendations will not be economically possible. Therefore the proposal for the "Commission" (Recommendation 1) with widespread powers becomes essential. Some Recommendations (1, 9) address these cost increases.

In the longer term, implementation of these Recommendations could lead to significant improvement in wine quality and image, and a significantly increased volume of grapes and wine produced which should result in major expansion of both the grape and wine industries and increased prosperity of the regions involved.

RECOMMENDATIONS

1. That the Government of Ontario establish a Grape and Wine "Commission".
2. That the Government of Ontario encourage the Federal Government to impose a tariff on grapes, and that at the forthcoming GATT Conference, renegotiate the retention of the 65% markup differential on foreign wines.
3. That the Government of Ontario, the Ontario Grape Growers' Marketing Board and the Wineries make a concerted effort with the Federal Government to change its attitude regarding the Canadian wine industry to one which is more positive and supportive.
4. That the industry should extend its limited program of grape purchase based on sugar standards to all hybrid and vinifera grapes (Classes 5 - 10) as soon as details and logistics can be worked out.
5. That the industry should begin immediately to phase out the production of labrusca grapes for use in table wines, including light table wines. After December 1995, labrusca grapes would no longer be permitted in table wines.
6. That Government of Ontario and industry support the development and expansion of the grape juice industry to fully explore the utilization of labrusca varieties for non-alcoholic products, and that a portion of

this support be directed to marketing research and/or market development.

7. That the Government of Ontario, through the Liquor Control Act, move to eliminate the practice of stretch in the production of table wines as hybrid and vinifera grapes become available in sufficient quantities (See Recommendation 5), after which, a maximum yield of 180 gallons per ton of grapes will be mandatory for table wines and 200 gallons per ton of grapes for light table wines.
8. That the Government of Ontario establish a Standard/Classification Committee, comprised of winemakers and other technically qualified personnel, to establish a Wine Classification System of production standards for the table wine class.
9. That the Government of Ontario, through the LCBO, recognize "pop" wines, ports, sherries and coolers as an important, but different, segment of the industry and permit complete flexibility in terms of stretch for these products but assess a stretch levy on their production in excess of 250 gallons per ton of grapes, or as determined by the "Commission" (See Recommendation 1). The levy collected should be used in the financial support of the grape and wine industries.
10. That the Government of Ontario, through the LCBO, create a classification "wine beverage" for those products for which significant stretch is an integral part of their manufacture. A minimum grape content for "wine beverages" should be established immediately.

11. That the Government of Ontario ensure that all Government Ministries, Crown Corporations and institutions supported by Provincial funds purchase only Ontario wine for Government functions. Further, the Government should make that preference known to the proprietors of the establishments frequented. Also, that the Government, through the LCBO, should promote and expand the sales of Ontario wines through the liquor store system.
12. That the Government of Ontario designate both the Niagara area and Essex-Kent area as a "Wine Region" and request the relevant Provincial Ministries and the Federal Government to take the appropriate action to implement the designation.
13. That the Government of Ontario instruct the LCBO to continue and increase the promotion of Ontario wines through the liquor store system and that both the LCBO and LLBO review their regulations regarding all wine purchase and consumption.
14. That the Government of Ontario move to market only Ontario wines in grocery stores. In the event that only Ontario wines cannot be sold in grocery stores, wine should not be sold in grocery stores, but the current freeze on the issuance of mini-store licenses should be lifted.
15. That the Government of Ontario reduce the Provincial taxes on wine and study how total Government revenue might be maintained or increased by such action.

16. That the Government of Ontario underwrite a major program in support of vineyard replanting and renewal. The urgency of this Recommendation cannot be over-emphasized.
17. That the Government of Ontario permit and encourage the sale of non-labrusca bulk wine at Ontario wineries and winery store outlets.
18. That the Government of Ontario press the Government of Canada to waive its sales and excise taxes on the sale of bulk wines produced primarily from indigenous grapes, if it can be negotiated under the GATT.
19. That the Government of Ontario and Federal Government review their research and research grant policies with the view to integrating their efforts more closely and ensuring that the benefits of such programs accrue to the whole industry.
20. That the Government of Ontario, through the Ministry of Agriculture and Food, increase its research effort on vinifera grape development.
21. That the Government of Ontario, through the Ministry of Agriculture and Food, identify a full-time extension specialist to service the grape industry in the Niagara Peninsula.
22. That the Government of Ontario direct HRIO, in conjunction with other public and private researchers, to develop a site specific map for grape types within the Niagara and Essex-Kent grape regions.

23. That the Ministry of Agriculture and Food, in consultation with the Ministry of Colleges and Universities and the University of Guelph and/or Brock University, investigate the feasibility of offering programs of education in support of Ontario's grape, grape juice and wine industries.
24. That Government grants, be they Federal, Provincial or Municipal, made for the purpose of increasing employment in regionally depressed areas, be conditional on the recipient of the grants sourcing raw products domestically, whenever possible.
25. That the Government support the concept of an increase in the number of "farm" wineries i.e. a small winery which produces wine not in excess of 50,000 gallons per year from grapes grown on the property.
26. That the Government of Ontario direct the LCBO to immediately cease the trend towards brand proliferation of wine in its stores and, in concert with the Ontario industry, determine means by which total brands available would be substantially reduced for both imported and domestic by means of quota adjustment.
27. That the Ontario Wine Council, in concert with the Government and the growers, map out and implement a strategy for an extensive promotional program for Ontario wine, including increased effort and visibility in the liquor stores.

28. That the Government of Ontario permit the sale of Ontario brandy in winery retail stores, and investigate means by which greater visibility and consumer awareness of the product might be achieved.
29. That the Government of Ontario, through the LCBO, review the standards for the production of fortified wines with the possibility of changing the regulations which permit fortification with grain alcohol, if the economics of the change can be secured.

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GLOSSARY

Blend	A mixture of wines combined to produce a consistent product. Term also used in Ontario to denote imported wine addition to Ontario wines.
CWI	Canadian Wine Institute is the national trade association for Canadian wineries.
EEC	European Economic Community ie. European Common Market.
GATT	General Agreement on Tariffs and Trade is a multilateral treaty, subscribed to by 90 governments, whose basic aim is to liberalize world trade.
HRIO	Horticultural Research Institute of Ontario, OMAF Research Station, Vineland, Ontario.
Hybrid	A genetic cross between grape species.
Labrusca	Grapes of <u>Vitis labrusca</u> botanical type. North American grape typified its winterhardiness, tolerance to insects and disease and its "foxy" taste and aroma when present in table wine.
LCBO	Liquor Control Board of Ontario, Provincial Government body controlling the purchase and sale of all alcoholic beverages marketed.
LLBO	Liquor Licence Board of Ontario, Provincial Government body which enforces all Government regulations relating to the licensing of premises for the sale and use of alcoholic beverages.
DFGGMB	Ontario Fresh Grape Growers' Marketing Board is the organization representing farmers who produce grapes for fresh produce sale.
OGGMB	Ontario Grape Growers' Marketing Board is the organization representing farmers who produce grapes for processing.
Olfactory	Pertaining to the nose, sense of smell
OMAF	Ontario Ministry of Agriculture and Food.
Stretch	Colloquial local term for amelioration or the addition of sugar and water.

- Vinifera Grapes of Vitis vinifera botanical type. European grape preferred by winemakers the world over for its quality. Less winterhardy and less resistant to insects and disease.
- WCO Wine Council of Ontario is the provincial trade association for Ontario wineries.

ACKNOWLEDGEMENTS

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I. BACKGROUND OF THE INDUSTRY

Winemaking in Canada began with the first explorers and settlers. According to records, the first European visitors to the Continent, the Vikings, made wine during one of their brief visits to Newfoundland. Whether or not the wine was made from wild grapes (Vitis riparia) or some other berries is not clear. It is known, however, that Jesuit missionaries made sacramental wine from native grapes in Ontario in the mid 17th century, and a century later, French settlers in Essex County grew both native and European vines in order to fulfill their demands for wine. The first commercial winery was established in 1811 with, presumably, the first commercial grape production. The oldest commercial winery still in operation is Barnes Winery which was established in 1873.

During the early part of this century, wineries proliferated and commercial grape acreage continued to expand. When the Ontario Temperance Act was passed (1916), wine was excluded, largely as a result of pressure from grape growers. Since that time, the grape growers, the wineries and the Ontario Government have been inextricably involved in the industry. The combination of being the only legal alcoholic beverage in Ontario plus a lucrative market in the U.S., where Prohibition was in effect, created an era of rapid expansion in the industry and, by 1927, there were 57 wineries in the Province. The insatiable demand for alcohol was not conducive to production of a quality product, to say the least.

The Ontario Temperance Act was repealed in 1927 and Prohibition in

United States ended in 1933. The Liquor Control Board of Ontario (LCBO) was set up to control the sale of all alcoholic products in the Province. In addition, the LCBO established quality standards for wine. The combination of a collapsed market and more rigorous quality standards resulted in a rapid rationalization of the industry. Many wineries folded; others were taken over by their more aggressive competitors and, by the early 1940s, only eight of the original wineries were still in operation. No new wineries were licensed to make wine until 1974.

Since its inception, the Ontario wine industry had been based upon a North American grape species, Vitis labrusca. The choice of labrusca was based primarily on the species' tolerance to cold temperatures and resistance to disease; however, it is typified by having low sugar, high acid and a "foxy" taste and aroma, caused by the presence of a naturally occurring phenolic compound, methyl anthranilate. This compound, while deemed undesirable in wines, does not present the same problem in juice. To the contrary, many labrusca grapes, especially the variety Concord, are preferred for use in juice, jams and jellies.

From its beginnings, the Ontario wine industry was based on sweeter, fortified wines which could utilize labrusca grapes. However, the post Second World War waves of immigrants and the increased sophistication of Ontario wine drinkers began to change the preference toward drier, European style table wines. Gradual at the beginning, the shift became very rapid in the 1970s and today represents the major part of the market. Within that market, in recent years, there has been a dramatic shift too from red table to white table, the latter now

representing over 60% of consumer purchases.

The world standard of preference for quality wine is based upon the European grape, Vitis vinifera. Vinifera grapes lacked the hardiness and the disease resistance required for the stability of production in Ontario. A compromise, hybrids, results in a grape with quality more similar to vinifera and vines with hardiness more comparable to North American grapes. Brights winery introduced European hybrids in the the mid 1930s and vinifera types in the mid 1940s. These were slow to develop. Low yields, higher management costs, lack of stability and lack of experience deterred development of vinifera types. Gradual sorting of hybrids continued and some hybrids of potential value to the Ontario industry were eventually identified.

Sorting varieties, evaluating for quality, producing nursery material, replanting and development of producing vines require many years. Unfortunately for the industry, changes in consumer preference occurred more quickly and the industry found itself with too many of the wrong type of grape, labrusca. In an effort to catch up to consumer tastes, growers, Government and wineries made adjustments. Growers, with Government financial assistance, accelerated their replanting program (not as successfully as desired); the government introduced the Wine Content Act to permit wineries to blend imported vinifera wine into domestic labrusca-based wine to help mask the foxiness and improve the flavor; and some of the wineries developed methods of partially modifying ("delabruscaizing") labrusca juice by removing some of the volatile methyl anthranilate (and, simultaneously, some of the desirable quality compounds). The bulk of Ontario table wine today contains some modified labrusca juice, stretched with water

and sugar for additional flavor modification and, in many cases, blended with imported vinifera wine. For a significant portion of Ontario wine consumers, these wines, properly priced, have proven to be quite acceptable. However, for wine connoisseurs and wine snobs, they provide a continuing cause for snide remarks and jokes.

The industry has made a major effort to convert to European hybrids which, although lacking some of the character of vinifera grapes, survive local winters, yield well and produce wines which do not have the characteristic labrusca taste and odor. Depending upon year, maturity, and winemaker, they produce fair to good to excellent wines. All winemakers recognize the vinifera grape as the premier grape for wine and, while initial attempts at growing vinifera grapes were disappointing, as farmers experimented with small test areas, the reliability has improved and the acreage, while very small, is not insignificant.

The juice industry provides a significant market for Ontario grapes and, while the purchases have fluctuated during the past decade, some 20-25% of all sales to processors have been to the juice sector. The variety, Concord, has accounted for the largest portion of the sales and, more recently, the variety, Niagara, has found favor with juice processors and consumers. Total sales to the juice market have varied from a low of 9,700 tons in 1976 to more than 17,000 tons in 1981 and 1982.

External pressure similar to those faced by the wine industry have impacted the juice sector and sales to processors have declined steadily from the peak years of 1981 and 1982. Foreign competition,

competing juice products, and factors related to industrial development in other parts of Canada have combined to result in the depressed state of the juice business.

In recognition of grape type, differences in difficulty of production, yield and quality, the Ontario grape crop is divided into 10 categories (20 classes including sub-classes). Classes 1-4 are comprised of labrusca varieties, and classes 5-10 consist of hybrid, vinifera and experimental types. Each year, representatives of the processors, wineries and the Ontario Grape Growers' Marketing Board (OGGMB) sit down to negotiate the price of each sub-class. In so doing, they take into account grape type, end use, year and quality, Ontario wine sales, and other relevant factors. Prices paid for Classes 1-4 are significantly lower than those paid for Classes 5-10.

This price differential should represent a mechanism for sending market signals back to growers. Indeed, although the shift in grape acreage has not been as rapid as demand required, it has been substantial. In the 1984 Ontario Grape Growers' Marketing Board Grapevine Census (July 1, 1984), it was reported that the proportion of the total crop planted to labrusca types (Classes 1-4) was 53%; of this, over 80% were over 12-year old vines. Of the 47% hybrid and vinifera, 72% were younger than 12 years old, many not yet producing. In 1985, some 22,000 tons of hybrid and vinifera grapes were purchased by wineries i.e. less than 45% of the crop going to wineries was labrusca.

However, government purchase of surpluses at full price and the current pricing system, as negotiated, tend to work against a more

rapid shift in acreage. Both farmers and wineries are profit driven. Unfortunately, the price for some labrusca grapes (e.g. Elvira) is such that many farmers can make as much or more growing higher yielding labruscas than they can growing the more preferred, higher priced, higher management and input cost hybrid and vinifera. As a result, Elviras continue to be planted (1979-1984, over 350,000 new vines). This is not consistent with most insiders' views on where the industry should be heading. Similarly, although the larger wineries are the main purchaser of hybrid and vinifera grapes, they also purchase the bulk of the cheaper labrusca grapes. After stretching and blending, they turn out labrusca-based table wines which compete at the low priced end of the market. In the longterm interest of the industry, the pricing system should deter the production of labruscas by growers and their purchase by the wineries.

The licensing in 1974 of a new winery, Inniskillin, dedicated to quality wine produced entirely from hybrid and/or vinifera grapes, has dramatically changed the industry. Inniskillin's success in marketing a world class table wine encouraged several new wineries to follow, and set a new quality standard for the industry. While labrusca grapes are still widely used in the industry, all wineries, old and new, have shown that, with hybrid and vinifera grapes produced in the Province, they are capable of producing excellent quality wines. The question is no longer one of can Ontario produce excellent wines - that is a proven fact. The question remains - can the economics of it be made right?

In recent years, the longterm stability of the industry has gradually eroded. International trading blocks have emerged with very

protectionist attitudes and aggressive export philosophies; grape and wine production in Europe (and the USA) has increased dramatically while, simultaneously, consumption in Europe has gone down, resulting in a so-called "wine ocean"; Eastern Block and Third World countries, desperate for hard currency, are in the market at "fire-sale" prices; there have been rapid shifts in Ontario consumer tastes to the (particularly white) table wines; environmental and health concerns have limited grape growers' ability to utilize pest control measures used elsewhere, yet we continue to buy wine from those countries; there is a North American crisis in farm incomes and grape growers have not been immune to this tragedy; and our trade negotiators have not rigorously protected our agricultural industry.

At this juncture, it is perhaps critical to establish the rationale for the Ontario Grape and Wine industries.

1. There are areas within the Province, namely the Niagara Peninsula and the Essex-Kent area, which grow grapes. On many farms, grapes are one of the most adapted crops for the specific soils and climate, and, in a few cases, they are the best choice for these lands.
2. Grape production represents significant opportunities for income generation by growers, local labour, and the supporting agricultural industry. In addition, the multiplier effect of this industry adds to the overall prosperity of the area.
3. There is an indigenous grape juice industry which could, with creative marketing, provide a larger stable and profitable outlet for grape product.
4. The income generated by the wineries, their employees and their suppliers is substantial i.e. these are not

insignificant industries.

5. Quality Ontario wines are being produced and quality will continue to improve.
6. Ontario consumer attitudes towards Ontario wines are improving and will continue to improve to the point where, at some point in time, Ontarions will take pride in their wines.
7. There is a natural pride in the mystique of having a "wine region" within the Province.

There are several points arising from the above rationale which require expansion.

It is a commonly accepted fact that the Niagara Peninsula represents a unique agricultural resource in Ontario and, indeed, in Canada. The area, by virtue of its climate, physiography and geography, constitutes the only area in Canada where a diverse range of horticultural crops can be grown with greater reliability than any other area of the country. The natural beauty of the area, coupled with the unique climatic features and its proximity to major population centres, makes it attractive for residential and industrial development.

In recognition of the uniqueness of the area, the Government of Ontario established a Land Use Policy and zoning guidelines (in practice, regulations) to protect this resource from loss, and as a result, it is only with extreme difficulty that good grape (and other fruit) land can be rezoned for residential and industrial development. Such legislation should ensure that this valuable resource will be protected for future generations of Ontarions.

However, if such lands are to be restricted to Agriculture, it follows that the owners of such land should be able to make a decent living from the land. Indeed, removal of the zoning regulations in the area would make many owners instant millionaires. The People of Ontario, through their Government, have decided to preserve this unique treasure, the Niagara Peninsula. Farmland, in perpetuity, it should be; but at what cost to the current custodians of the resource? If it is the wish of the People of Ontario that the area be protected for future generations, then the People should pay the price i.e. the Government must ensure that the agricultural industry is a viable one. Indeed, many past and current Government policies relative to the wine and grape industries have recognized this. However, policies frequently change, and some work for the short term e.g. 65¢ handling charge, while others do not work as expected.

The basic challenge for the Government is to reaffirm its decision to protect the foodland of the Peninsula. If it cannot reaffirm that decision, then perhaps the zoning regulations should be relaxed or eliminated so that farmers can, over time, dispose of the land for its true market value for other non-agricultural uses. If the decision is a positive one, then policies must be developed in which all of the People of the Province share the cost. Over the short term, this may involve increased investment by the Government in the form of subsidies, differential markups and increased research and development costs, coupled with some significant changes in attitude relative to the overall image of wine.

If the appropriate action is taken, it is conceivable that, over the longer term with a modest degree of protection, viable indigenous

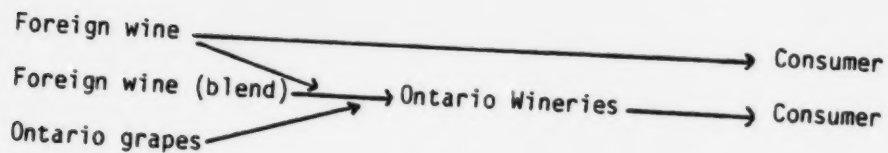
wine and grape industries could evolve which are significantly larger than the current industries. This should be our first choice.

However, it is possible to conceive of a wine industry without a grape industry similar to the situation in most other provinces - if Government perceives that to be the best solution for all the people. Indeed, excellent quality, moderately priced wines could be produced by our wineries under such a scenario. However, it is unlikely that such an industry could survive without some protection. In fact, the past policies have protected wineries as well as growers.

The extreme, if the extrapolation were continued, would be to have neither a wine nor a grape industry. It cannot be determined, based on government policy developed, whether LCBO revenues would increase or decrease.

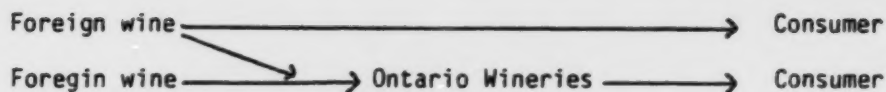
In review, there are three possible scenarios:

Scenario 1 - Current situation



Under Scenario 1, there is use of land, farm income, labor income, agricultural industry labor and income, winery labor and income. People work, individual and corporate municipal, provincial and federal taxes are paid, and LCBO revenue from wine may be lower.

Scenario 2 - No grape industry



Under Scenario 2, there is a land use problem, farm income problem, alternate crop problem, farm labor displacement problem, and agricultural support industries suffer, with loss of jobs and consequent loss of municipal, provincial and federal tax. Justification for stretch is removed. Differential markups are still required. Balance of payments is aggravated.

Scenario 3 - No grape industry, no wine industry



Under Scenario 3, there are land use, farm income, alternate crop and farm labor problems, plus the loss of jobs in the agricultural support industries. In addition, there would be many industry jobs lost, plus a major loss in industry investment. There would be major losses to the tax base. No differential markups would be required.

Wine prices to the consumer could be lower or higher, but balance of payment problems would be further aggravated.

The philosophical, political and economic implications of the above scenarios are obvious. There is really only one choice open and that is Scenario 1. The challenge is to make it work for all parties involved: growers, wineries, government and consumers. For the most part, solutions will have to be Provincially conceived and implemented as Federal interests, policies and programs frequently work against the viability of the domestic industry.

There are many issues facing the wine and grape industries today. While Government involvement, public image and perception, and international competition are major factors, there are many others which impact upon the industry. The industry has reacted to market changes much more quickly than is generally perceived by those outside of the industry; however, greater, more rapid change is required if the industry is to survive, let alone prosper. Prosperity will require a renewed commitment by all parties to make it work. The industry is at a watershed. The next few years will determine not only how prosperous the industry might be, but also whether or not it will survive at all.

II. FACTORS IMPINGING ON THE INDUSTRY

1. Government

(a) Provincial

"But the biggest stumbling block standing in the way of better days for the wine industry is government. The perception of the wine industry by government dates back to the Prohibition era"

- noted Canadian wine writer

The Provincial Government has had a major involvement with the grape and wine industries since the early part of the century. As indicated previously, it was a strong lobby from grape farmers which led to the exclusion of wine from the Ontario Temperance Act, the Government perceiving the wine industry as a market for an agricultural product, grapes. At that time, farmers had political power through their numbers. With the subsequent repeal of the Ontario Temperance Act and the establishment of the LCBO as a monopoly retailer, the relationship between Government, the growers and the wineries solidified further; the LCBO was charged with the responsibility for wine standards, wine listing and wine distribution. Later, the LCBO was charged with tax

collection for all alcohol, including wine. The role of government has been that of protector and protagonist, benefactor and beneficiary. There is no single or simple role for Government because there are many Ministries involved, each with its own partial view of the industry.

The Ministry of Agriculture and Food views the grape industry as a primary industry which utilizes a unique land and climatic resource in the Province. Its involvement has been through support of the Land Use Policy, research, extension and marketing. Its primary interests are prosperity on the farm through efficient production and marketing of safe, quality products. It is interested too in the upstream and downstream industries which service the crop.

The Ministry of Consumer and Commercial Relations, insofar as the wine industry is concerned, is almost a contradiction of terms, with the perception within the industry that the Ministry is more driven by consumer demands than commercial requirements. Within the Ministry rests the responsibility for the LCBO. There is no doubt that the Government and the LCBO, despite the fact that the domestic industry has dropped from 95% market share to less than 45% in 35 years, have attempted to offer the industry some protection

through the Wine Content Act (85% Ontario grapes) and Liquor Control act (use of stretch), Ontario Winery Assistance Program, increase in winery retail stores, etc. However, during the same period, the number of foreign brands and the total volume of their sales have grown dramatically. Few countries in the world have as many foreign listings of wine from which to choose (730) as do the citizens of this Province, and no country distributing through a public monopoly offers the same choice. Do Ontario wine consumers, who are less sophisticated in their tastes than are the consumers in most other developed countries, demand or require such a selection?

The Ministry of Treasury and Economics is ambivalent regarding the industry. Unfortunately wine, like other alcoholic beverages, is viewed as prime source for generating Provincial revenue. It is this Ministry, not the LCBO or the Ministry of Consumer and Commercial Relations, which determines the markup on alcoholic beverages. Each year, the so-called "sin taxes" are raised. For example, since 1978 a bottle of Ontario wine has increased in price by 124%. During that period, Provincial tax increased by 166%; Federal tax by 201%; winery prices by 75%; and grape prices by 69%.

Fully 60% of the cost of buying a bottle of Ontario wine is tax! From a revenue standpoint, the Treasurer has a vested interest in the proportion of wine sales that is foreign. The markup for Ontario wine is 58%; the markup for foreign is 123%. So, while the domestic industry is currently under severe pressure from imports, the coffers of the Province have swollen substantially. On the other hand, the Province's take from personal and corporate tax from those involved in the industry should have diminished very significantly.

The Ministry of Industry, Trade and Technology has divided interests also. It would appear, at least insofar as wine is concerned, that the Ministry is driven more by export promotion than by domestic import replacement. Promotional money is easier to obtain for a trade mission to Japan, for example, than it is for promotion of the product at home. Similarly, there appears to be greater concern within the Ministry for the effects of protection of the domestic industry on trade relationships with other countries than there is for the effects of unfair trading practices (subsidies) on the part of foreign traders on the survival and wellbeing of our domestic industry. The wine and grape industries are not of the scale that automobiles and steel are, but they are no

less critical to the individuals and companies involved.

Two other Ministries tend to view the wine industry with concern. The Ministry of Health and the Ministry of Community and Social Services believe that any increased availability or use of wine would lead to significant increases in alcohol-related medical and social problems. All alcoholic beverages are viewed the same; alcohol is alcohol. However, there is a perception, and some basis in fact, that wine is more a drink of moderation, a food beverage for consumption with and enhancement of a meal.

The Attorney General's Office tends to act in an adversarial role with regard to the alcohol industries. Alcohol-related crime is a most significant factor in law enforcement, particularly automobile violations, and law enforcement agencies are certainly reinforcing the regulations. In the end, wine consumption may well be the beneficiary of more strict enforcement as citizens move to greater moderation in their drinking habits by shifting from beer and hard liquor to table wine, light wine, ciders and coolers.

With increasing frequency, the industry finds itself lurching from crisis to crisis. Repeated,

sometimes conflicting, appeals by growers and wineries to the Provincial Government have resulted in good intentioned, but often misdirected, bandaied solutions. Consensus within Government and within the industries has not been easy to achieve. What seems appropriate action by one Ministry is frequently deemed inapporpriate by another Ministry.

Indeed, the Government has, in recent years, conveyed a message through its legislation, advertising and attitude that drinking is all bad; bad for one's health, mental and physical; bad, when in combination with automobiles; and bad in its association with many criminal acts. Obviously, when used in excess, alcohol is bad. What concerns those in the industry is the tone of the Government's pronouncements. Some view the Government's stance as approaching the hypocritical in that the Government also collects hundreds of millions of dollars in tax revenue from the industry. Moderate drinking is an accepted custom in contemporary society; moderate drinking is a lubricant for social intercourse; moderate drinking may actually be beneficial to one's health; and moderate drinking, particularly wine, enhances the pleasure of dining. Is there not a more realistic approach? a more positive tone? a place for

moderation? It is a belief of many within the wine industry and many not directly involved that wine, moreso than either beer or spirits, is a drink of moderation and should be promoted as such. Long after the repeal of the Ontario Temperance Act, a certain neo-temperance mentality still exists within much of the Government and Civil Service.

So different roles, different clients, different responsibilities and different constituencies dictate how Ministries interact with the grape and wine industries. That's as it should be. However, it makes it difficult for a Government to develop policy relative to the industry and, when policy changes are made, many Ministries must be involved.

(b) Federal

The Federal Government, while not as directly involved in the grape and wine industries as the Province, is, nonetheless, involved in several significant areas which impact upon the industry. These include tariffs and duties, agricultural programs and research, standards, and industrial development.

Within the wine industry, there is a feeling that our Federal negotiators at the GATT have, at

Recommendation 1

That the Government of Ontario establish a Grape and Wine "Commission".

best, done little to guarantee protection against foreign subsidies and dumping and, at worst, been prepared to bargain off the wine industry against other segments of trade perceived to be of greater importance. The grape and wine industries echo, for the most part, what the general feeling in agriculture is i.e. that our negotiators honor our obligations, but do not aggressively pursue our rights. It is true that only two provinces, Ontario and British Columbia, have significant indigenous wine industries and Federal policy regarding wine must take into account all provinces; however, lesser industries in other provinces frequently receive more support and better protection. The fact remains that the Federal Government has not acted aggressively to protect the industry. The LCBO, which as a "State Trading Enterprise" (as defined under the GATT) has frequently implemented policies in support of the industry which the Federal Government does not defend and generally places pressure on the Provincial Government to change.

Government policies regarding duties and tariffs on agricultural imports also impact on the grape and wine industries. For example, prior to 1979, there were tariffs on juice imported for winemaking and grape juice of 20¢ per gallon.

Currently there are no tariffs on any grapes imported into Canada, except for a 15-week tariff on labrusca grapes during their period of local availability in the fall. As a result, the home winemaking industry (which is almost entirely based on imports) thrives at the expense of our commercial industry and growers, and our domestic juice industry must compete against cheap (frequently subsidized) imported juice.

On the other hand, the Government has been prepared to support growers through purchase of surpluses and through agricultural research. The focus of its research efforts is centered at the Agriculture Canada Research Station at Vineland. The station plays a major role in pest control. Also, the Harrow Research Station has recently increased its activity in grape research, concentrating on variety evaluation. In addition, through various Government agencies (Industrial Research Assistance Program, New Crop Development Fund), research funding is made available to support company research efforts. Through national programs, the Government plays a critical role in the importation, quarantine and distribution of exotic grape rootstocks and varieties.

Although there has been some Federal

Recommendation 2

That the Government of Ontario encourage the Federal Government to impose a tariff on grapes and, that at the forthcoming GATT Conference, renegotiate the retention of the 65% markup differential on foreign wines.

Government (Agriculture Canada) and industry promotion of Canadian wines and other products (cheese, flowers, pork, beef) directed towards hotel and restaurant operators, the Federal Government as a whole is not substantially committed to Canadian wines. At home and abroad at official Government functions, only seldomly are Canadian wines served. Unfortunately, there is either an ignorance of the existence of fine Canadian wines or a snobbishness at the perceived lack of prestige of Canadian wines. The Federal Government is probably the largest single purchaser of wine in the country; many of its Crown Corporations and agencies are significant purchasers of wine as well. It would seem reasonable to expect the Government, its politicians and civil servants to support the domestic industries which support them. Unfortunately, there is little evidence that this is the case; to the contrary, the Government and its agencies usually purchase highly subsidized foreign wines at the expense of our own grape and wine industries.

There are cases too where, in the name of regional development, industries have been established, with substantial Government assistance, which depend upon the importation of product (grape

Recommendation 3

That the Government of Ontario, the Ontario Grape Growers' Marketing Board and the Wineries make a concerted effort with the Federal Government to change its attitude regarding the Canadian wine industry to one which is more positive and supportive.

juice) in direct competition with our domestic production. At the same time, the Government has assisted in the purchase of surplus grapes in years of oversupply.

2. Industry Standards

The industry and the Government have been grappling with grape and wine standards almost since the inception of the industry as it is known today. Indeed, a report submitted to the Ministry of Agriculture in 1934 entitled "Report of the Ontario Wine Standards Committee" addressed both grape and wine quality. That report emphasized:

- concern for improved varieties for fine table wines
- increased research and development at HRIO, Vineland
- the need for restricting wine produced per ton of grapes
- the amount of sugar used in wine
- expansion of the work of improvement, supervision and analysis of wine by the LCBO

The above list includes many current concerns. More recently (1977), a report by the Ontario Grape and Wine Standards Committee reiterated many of the same concerns and made recommendations.

Standards, when they change, should provide a mechanism for improvement within the industry. Canadian grape and wine standards are the highest and the lowest in the world. They are among the

highest with regard to consumer safety insofar as Federal Food and Drug regulations protect against specific additives, pesticide residues etc; they are lacking, however, in the area of vinification standards which, for the most part, are non-existent. With more rigorous standards, our industry has the potential to achieve world class status and, in so doing, could increase the acceptability of the products at home and achieve a degree of respectability abroad. We have not given our industry a chance to achieve the quality of which it is capable. "We have met the enemy. It is us".

A Grape Standards

The Ontario Grape and Wine Standards Committee (1977) pointed out the need for standards over and above "the minimum quality standards of grape condition for acceptance by processors" and those prescribed by the Federal Wine Regulations. For grapes, these involve: (i) Grape Classification (ii) Sugar Standards and (iii) Lower Tolerance Level.

(i) Grape Classification

For many years, grapes have been categorized on a 10 class (now 20 sub-class) system. The system takes into consideration type and quality of

grape, the end use product, the yield, the costs and degree of management involved in production, and the supply/demand situation. The system is flexible in that as new information on varieties becomes available or as changes in demand occur a variety may be moved from one class to another. Each year, the negotiating committee, comprised of grower and processor representatives, establishes a price for each classification and, although, for the most part, the system has worked, it can be debated whether or not the appropriate prices have been established to move the industry in the right direction for its longterm future.

(ii) Sugar Standards

It is almost axiomatic that the quality of the product produced bears a close relationship to the raw product available. Nowhere is this more true than in the making of wine.

Grape quality is comprised of many, frequently interacting, characteristics. While there is no single, simple measurement which can measure this complex group of attributes to predict the overall winemaking potential of a grape, the "sugar/acid ratio" is the best single indicator.

Sugar content (^oBrix) is influenced by many

factors including variety, time of harvest, season, soil, microclimate, and cultural factors including nitrogen status, rootstock, pruning system and overall viticultural management. Management decisions which increase vigor tend to increase yield per acre but reduce overall quality attributes, including sugar content. Until 1982, all grapes of a variety were sold at the same price i.e. a farmer who pushed for higher yields, even though quality (as determined by sugar content) was lower, made more money than a farmer who attempted to produce better quality at the risk of yield reduction and returns per acre. Such a system has tended to encourage production of lower sugar grapes and, concomitantly, lower quality wine. Rather than stimulating improvement in quality within the industry, the system has actually served as an incentive to poor quality.

Following the 1977 Ontario Grape and Wine Standards Committee Report, the growers and the wineries agreed to pay on a sugar basis for the variety de Chaunac. Fortunately, the Horticultural Research Institute of Ontario (HRIO) had monitored sugar levels and other quality parameters on most grapes delivered for several years. These data provided the basis for establishing a Base Level price. Sugar levels below the base were docked in

proportion to the level below the base; sugar levels above the base were paid a premium, depending upon degree brix above the base. The Base Level for a variety varies from year to year, depending upon the previous 5-year average. Since the inauguration of the program, the quality (sugar level) of the de Chaunac delivered has increased significantly. In 1985, the program was expanded to include Riesling and Chardonnay varieties and, in 1986, will again be expanded to include the major white hybrid varieties Vidal, Seyval Blanc and SV 23512. Extension of this program to include all non-labrusca (Classes 5-10) varieties will improve the overall quality of the grapes and the wine. It would be expected that over a period of time the Base Level would raise. This system represents a significant mechanism for overall quality improvement in the crop.

(iii) Lower Tolerance Level

The Lower Tolerance Level (LTL) refers to the level of sugar ($^{\circ}$ Brix) below which grapes should not be accepted for their intended use in quality wine production i.e. it represents a minimum cutoff point below which the grapes might be rejected or used for brandy. Obviously, under the new system,

Recommendation 4

That the industry should extend its limited program of grape purchase based on sugar standards to all hybrid and vinifera grapes (Classes 5-10) as soon as details and logistics can be worked out.

grapes which were below LTL would, if sold, be purchased at a significantly reduced rate. The LTL mechanism fits with the system of paying on a sugar basis, representing, as it does, the maximum discrimination against poor quality. Utilizing the sugar data, including the range of sugar and the standard deviation of the figures from each variety, appropriate LTL figures can be formulated. Indeed, when sugar standards were implemented for de Chaunac in 1982 and Riesling and Chardonnay in 1985, LTL values were determined with appropriate payment for grapes below LTL.

Establishment of LTL figures should be an integral part of the overall payment based on sugar standards. The volume of grapes below the LTL varies by year, however, in some years it can be substantial. This points out the vital need for an indigenous brandy industry.

B. Wine Standards

It is unfortunate that our wine industry evolved from its progenitor of the late 1920s and early 1930s. With the Ontario Temperance Act in effect here and Prohibition in effect in the United States, the wine industry in Ontario prospered. However, the prosperity came at the expense of

standards and quality, and industry attitudes which foster these. At its peak, there were 57 wineries in Ontario struggling to meet the demand for alcoholic beverages. By adding water, sugar, coloring and flavor compounds, some wineries were able to convert the normal 160 gallons wine per ton of grapes into a yield of over 600 gallons per ton. It was not a very auspicious period in the industry's history. Unfortunately, the period, with its lack of standards and its acceptance that drinkable wine could be manufactured, left a legacy that has taken a long time to change and some of the practices still continue, most notably, the use of stretch.

Considering that the industry was limited by a predominance of labrusca grapes, which did not lend themselves to quality table wines, there was some justification for maintaining a degree of stretch to assist in diluting the foxiness of the labruscas in table wines. Despite the fact that increasing amounts of non-labrusca grapes become available each year, the industry still allows stretched labruscas to be marketed in table wines. This does not imply that labruscas do not have use in other types of wine; indeed, they may. However, the sooner the industry can eliminate labruscas and stretch from their table wine, the more competitive,

from a flavor standpoint, it will become.

So long as it is more profitable to buy labrusca grapes and stretch them than it is to buy non-labrusca, some wineries will continue the practice at the expense of the whole industry. Further, continued purchase of labrusca grapes for table wine serves as an incentive for growers to retain their labrusca acreage and, in some cases, plant more. In effect, it is a self-perpetuating problem.

It should be emphasized that some labruscas could still be marketed to wineries for non-table wine use and for juice, jam etc. However, there may be surpluses of some labrusca grapes unless steps are taken to more aggressively develop the juice market.

There is no doubt that utilization of stretch and, more recently, blending, has helped the industry to compete better qualitatively and economically, while, at the same time, the practices have helped find a market for the predominately labrusca crop. Obviously, the ability to blend relatively cheap foreign vinifera wine and extend volume with water and sugar have both increased the competitive ability of our

Recommendation 5

That the industry should begin immediately to phase out the production of labrusca grapes for use in table wines, including light table wines. After December 31, 1995, labrusca grapes would no longer be permitted in table wines.

Recommendation 6

That the Government of Ontario and industry support the development and expansion of the grape juice industry to fully explore the utilization of labrusca varieties for non-alcoholic products, and that a portion of this support be directed to marketing research and/or market development.

industry. Indeed, many would commend the industry for its efforts in this regard. However, the reasons for stretch (or at least the degree of stretch) and, perhaps, blending are becoming less compulsive or necessary each year. When the industry begins to approach self sufficiency in hybrid and vinifera grapes, thought should be given to eliminating the practices. In actual fact, by simple extrapolation, one can envision that time. Rather than abruptly eliminating the practice(s), it may be appropriate to phase them out gradually over a specified period in order to cushion the effects of the loss of these economic advantages.

It may be argued that there is some justification for the use of a very modest amount of stretch in order to balance off high acid levels in the juice. However, if the sugar levels of the grapes continue to increase, that should be less of a problem. There are other techniques available to achieve the same end. Winemakers in other parts of the world make the appropriate adjustments without stretch. Our winemakers are no less knowledgeable in these matters. However, some increased flexibility in blending may be desirable.

Recommendation 7

That the Government of Ontario, through the Liquor Control Act, move to eliminate the practice of stretch in the production of table wines as hybrid and vinifera grapes become available in sufficient quantities (see Recommendation 5), after which, a maximum yield of 180 gallons per ton of grapes will be mandatory for table wines and 200 gallons per ton of grapes for light table wines.

3. Image and Perception of Ontario Wines

"Yes, we have Ontario wine on the menu, but I wouldn't recommend that stuff to anyone".

- Waitress, Ottawa Hotel

The statement above is indicative not only of many waitresses, bartenders and restaurateurs, but more significantly, a large proportion of Ontario table wine drinkers. The public image of Ontario wine is not good, but it is getting better.

Until the early 1950s, the Ontario industry was largely based on ports, sherries and fortified sweet wines, produced entirely from labrusca grapes. The products were good, suited consumer tastes, and acceptability was high. Ontario produced wines accounted for 95% of the LCBO wine sales.

As consumer preferences started to shift towards European style table wines in the late 1960s, both growers and wineries were caught off guard. Labrusca grapes, which had adequately suited the quality for sweet wines, were not well suited to the production of table wines. The foxy characteristic of the labrusca grape carried through into the wines and, for the majority of table wine drinkers, Ontario wines became less

acceptable than imported.

By law, Ontario wineries were forced to use Ontario grapes and, non-labrusca grapes being in short supply, the wineries adapted as best they could. Through the use of stretch and manufacturing techniques, they were able to dilute and reduce the foxiness. Despite these changes, many consumers continued to avoid Ontario products. The industry opinion-makers continued to harangue the product. In order to enable the wineries to produce wines more comparable to European table wines, the Ontario Government, with the concurrence of the grape growers, introduced the Wine Content Act in 1976 to permit the use of 15% of volume of grapes purchased (30% for any specific brand) foreign vinifera juice or wine. This change did enable the wineries to produce a more saleable product.

As increasing amounts of hybrid and vinifera grapes have become available in Ontario, 100% Ontario wines have been produced which are consistently of equal or better quality than many of the top selling foreign table wines. They provide excellent value for the dollar.

When Ontario wines are at the same price, or even slightly cheaper, the majority of consumers will buy European. So, in order to sell wines of similar quality,

a significant price differential in favor of Ontario wines must be employed e.g. \$1.00 per litre. When the price is right, a larger proportion of consumers is not so influenced by foreign labels. That is, for many table wine buyers, so long as quality is acceptable, price is a major determinant.

For a large group of consumers, the perception of "European taste" is important. Many have not tried Ontario wine for years; they claim to still remember the foxiness of Ontario wine.

Unfortunately, they have no way of identifying the labrusca-based wines from the non-labrusca wines at the LCBO stores. Indeed, attempting to select a quality Ontario wine from the vast number of brands available has been compared to Russian roulette. After making a random choice, too often a labrusca-based wine, the disillusioned consumer doesn't come back to the Ontario wine shelves. The purchase only reaffirmed his opinion of Ontario wine. Often, the least knowledgeable wine drinker is the most critical. As a result, to be safe, this group tends to buy the top selling, well advertised, imported table wines. Further, when serving guests, most of whom are no more knowledgeable than they, they have the prestige of serving imported.

Knowledgeable wine drinkers are frequently less

Recommendation 8

That the Government of Ontario, establish a Standards/Classification Committee, comprised of winemakers and other technically qualified personnel, to establish a Wine Classification System of production standards for the table wine class.

critical of Ontario wine than is the majority. Confident in their knowledge of wine, they recognize that some Ontario wines are very good and are confident enough to serve them to friends.

Typical of many Canadians, few Ontario wine drinkers have any allegiance to the domestic product. A proportion of consumers is price driven and, if the Ontario product is not sufficiently price preferential, will buy foreign. Another proportion is driven by snob appeal, the "prestige" of buying foreign. Included in this group would be the vast majority of the so-called "Yuppie" group typified by their cars (BMW, Audi, Volvo), Italian shoes, Japanese electronics and white French wine. Twenty-five years ago, the California wine industry suffered from a similar image problem, even though at that time their quality was good. That has since changed; it is now fashionable to drink California wine. Indeed, Californians and, more significantly, many Americans, are downright nationalistic about California wines. Although prejudice against Ontario wines is decreasing, they are still not fashionable; few consumers have a significant allegiance to them. The fact that the Ontario industry continues to manufacture many table wines from (at least in part) labrusca grapes and does

not identify its quality, non-labrusca products, perpetuates the myth that Ontario wines are inferior, and delays the day when our industry will gain credibility with Ontario consumers.

It is interesting to note that many of the top selling domestic wines are promoted through a deliberate disassociation from an Ontario or Canadian origin. Many of these highly advertised wines are portrayed through commercials, names and labels as being European, a practice successfully utilized in many New World wine producing areas. The success of the practice says more about the power of advertising and the naivete of the consumer than it does about the product. One wonders whether the same wines, with comparable promotion, could sell a similar volume without the pseudo-European masquerade. In actual fact, the practice seems to be dictated by the commercial realities of the present marketplace. Unfortunately, it delays the time when domestic wines might develop their own unique identity and compete in their own right.

As the acreage of hybrid and vinifera grapes expands, the overall quality of Ontario wines will improve. The need for "modified", labrusca-based table wine should disappear; the rationale for using stretch should be eliminated and the

importation and blending of foreign vinifera wine would be less compelling. Only at that point will the industry have the confidence and pride within itself and the credibility among purchasers to merit a strong commitment from consumers. Some of Ontario's smaller wineries are approaching that position now.

It should be emphasized that the market segment of most concern is the European style table wine area. This is where the largest market is and will be in the future; this is the area with the greatest competition from relatively cheap imports; and this is the area which, because of our climate, is the most difficult for our growers to supply.

The port, sherry, "pop" wine and "cooler" segments of the market are not as demanding in grape quality. Indeed, these special market niches, some of which may well be temporary fad markets, may require and justify greater flexibility relative to the content regulations in the Liquor Control Act. Some ("pop" wines and "coolers") might justifiably be called "wine drinks" or "wine beverages" in order to give greater credibility to the major portion of the Ontario industry.

Recommendation 9

That the Government of Ontario, through the LCBO, recognize "pop" wines, ports, sherries and coolers as an important, but different, segment of the industry and permit complete flexibility in terms of stretch for these products but assess a stretch levy on their production in excess of 250 gallon per ton of grapes, or as determined by the "Commission" (see Recommendation 1). The levy collected should be used in the financial support of the

Apart from the quality/price aspects of Ontario wine is the general lack of knowledge about the industry in Ontario. Indeed, many Ontarions are not even aware of the fact that a domestic industry exists. Other wine producing areas of the world make a point of promoting their products to citizens and tourists alike. However, the quality of Ontario wine continues to improve; confidence within the industry that, given the right incentives, our industry can compete on a quality basis with the large volume of imports is growing. The time is approaching when promotion of the Niagara Peninsula as a wine region should be given some priority by the Government. Further greater flexibility might be given through LCBO and LLBO to increase the visibility of our industry.

grape and wine industries.

Recommendation 10

That the Government of Ontario, through the LCBO, create a classification "wine beverage" for those products for which significant stretch is an integral part of their manufacture. A minimum grape content for "wine beverages" should be established immediately.

Recommendation 11

That the Government of Ontario move to ensure that all Government Ministries, Crown Corporations and institutions supported by Provincial funds purchase only Ontario wine for Government functions. Further, the Government should make that preference known to the proprietors of the establishments frequented. Also, that the Government, through

the LCBO, should promote and expand the sales of Ontario wines through the liquor store system.

Recommendation 12

That the Government of Ontario designate both the Niagara area and the Essex-Kent area as a "Wine Region" and request the relevant Provincial Ministries and Federal Government to take the appropriate action to implement the designation.

Recommendation 13

That the Government of Ontario instruct the LCBO to continue and increase the promotion of Ontario wines through the liquor stores system and that both the LCBO and the LLBO review their regulations regarding all wine purchase and consumption.

Recommendation 14

That the Government of Ontario move to market only Ontario wines in grocery stores.

In the event that only Ontario wines cannot be sold in grocery stores, wine should not be sold in grocery stores, but the current freeze on the issuance of mini-store licenses should be lifted.

4. The Home Winemaking Industry

"If you can sell bulk wine at \$12.00 per gallon, you could sell millions of gallons to home winemakers"

- Home wine supplier

The home winemaking industry in Ontario is a most substantial one. It is estimated to represent more than one-third of the total wine consumed in the Province, or, put another way, almost 150% of the volume of the Ontario domestic commercial production. The industry is largely based on grapes imported from California during a two to three month period in the fall and, increasingly, juice imported from the U.S. (California) and other countries.

The home winemaking industry currently represents a great loss to the economy of the Province, and the largest potential for expansion of the commercial grape and wine industries. Wine produced at home escapes any taxation, so represents a loss to the Treasurer of Ontario estimated to be in excess of 70 million dollars. To the average person who buys his highly taxed wine at the LCBO outlets, it is unfair that

consumers of homemade wine escape tax. There are no tariffs on vinifera grapes. In addition, grapes and juice also escape Ontario Retail Sales Tax. It seems ironic that the Government collects substantial revenue through taxing Ontario wine made from Ontario grapes, yet permits home wines, made from imported grapes and juice, to go untaxed. Indeed, were the tax more equally applied, prices at the LCBO could be decreased and still generate equal or greater revenue for the Treasurer. However, there does not appear to be any easy means of taxing the home wine industry.

At the same time, few Ontario grapes are utilized in the home industry. Were the Ontario grape grower able to provide grapes at a competitive price and develop an appropriate distribution system, it would require a substantial increase in acreage to service the market. Similarly, the size of the industry represents a major loss of market to the wineries as well. The home winemaking market may be divided into three components:

1. The hobby winemaker. These individuals try their hand at making wine and usually cease the practice after a few bad experiences. Some, however, continue indefinitely. This group initially starts with concentrate or

Recommendation 15

That the Government of Ontario reduce the Provincial taxes on wine and study how total Government revenue might be maintained or increased by such action.

juice and the more adventuresome move on to utilize grapes. Many are open to experimentation using Ontario grapes and some have made exceptional products with Ontario grapes. The serious hobbyists represent a small proportion of the home wine group.

2. The ethnics and traditionalists. This group makes wine as a tradition, using father-to-son methods. Thought to be a major portion of the home wine market, in actual fact, this group is small as well. Home wine production is not a cultural phenomenon in European countries where local wine is very cheap; daily consumption of wine with meals is.
3. The "commercial" group. This is by far the largest single group. Individuals in this group consume wine on a (near) daily basis. Most cannot afford to purchase wine in the amounts required. Initially, a large segment of this group was comprised of ethnic European immigrants who had an aversion to the flavor of labrusca grapes, but increasingly, large numbers of other Ontarions are participating. Although there were legal limits to gallonage produced per household, there was really no

way of enforcing regulations. As a result, production limits were removed. Individuals in this group are driven by price and, according to suppliers, each time the LCBO price goes up, more individuals take up the practice. Further, recent changes in Liquor License Board of Ontario (LLBO) regulations permit homemade wine to be served at family celebrations (weddings, baptisms, confirmations) in public places which are covered by a Special Occasion Permit. Although not generally known, this change, in itself, could siphon off a significant amount of business from the commercial wineries and the LCBO, and represents an ominous change for the domestic industry. Of equal significance is the fact that there are indications that homemade wine is beginning to enter into the underground industry of bartering i.e. homemade wine is being exchanged for other goods and services.

There are many companies servicing this industry, many operating through socio-ethnic networks. The two largest companies are Darrigo's Grape Juice Limited and Pietro Cullota Grapes Limited. For the most part, distributing companies and home winemakers have avoided Ontario grapes as they did not like wine made from labrusca grapes. However, as Ontario hybrid and

vinifera grapes became available, there have been limited, direct sales by farmers to home winemakers. In fact, the grape growers have attempted to promote Ontario grapes through advertising variety, price and date of availability. A major deterrent to expansion of sales has been a reluctance on the part of those in the established distribution system to carry Ontario grapes and the lack of an alternative system. To be fair to that industry, a guaranteed quantity of the desired type of Ontario grape has not been consistently available, as winery needs for these superior types have not been met. Indeed, were the home wine industry to open up substantially to Ontario grapes, wineries would have difficulty competing on price with the home industry.

The most obvious means of controlling the growth of this import-based industry would be by means of some form of taxation. However, such a means may be politically unpopular. Reasonable levels of tax, like the Ontario Retail Sales Tax, while raising some Provincial revenue, would probably have little effect on the growth of the industry. Alternatively, home winemakers could be required to purchase a licence, based on gallonage and proportional to the Government tax on wine. It

Recommendation 16

That the Government of Ontario underwrite a major program in support of vineyard replanting and renewal. The urgency of this Recommendation cannot be over-emphasized.

might also be argued that, were the Government to reduce the overall price of wine (see Recommendation 15), fewer people would make their own wine and increased sales through the LCBO would offset the loss in revenues from the lower markup. Conceivably, such a move might not increase total wine consumption, but would shift consumption away from homemade to commercial production.

Another possibility worthy of consideration would be the legalization of the sale of bulk wine at wineries and winery outlets. Conceivably, under such a scenario, wineries could sell wine at a significantly lower cost because bottling, labelling and packaging costs and their tax markups would be eliminated. Wine purchased in bulk could be taken home for bottling by the purchaser. Were this policy to be implemented, there would be a significantly increased demand for non-labrusca-based wines.

Recommendation 17

That the Government of Ontario permit and encourage the sale of non-labrusca bulk wine at Ontario wineries and winery store outlets.

Recommendation 18

That the Government of Ontario press the Government of Canada to waive its sales and excise taxes on the sale of bulk wines produced primarily from indigenous grapes, if it can be negotiated under the GATT.

5. Competition in the Marketplace

As indicated previously, Ontario grape growers, for a variety of reasons, cannot sell grapes as cheaply as most of the growers in the world. The reasons for this would include:

1. Lack of the same climatic resource. The industry operates on the northern limits of commercial production. Yield and stability of production are not as high as most other viticultural areas.
2. Cost of inputs - Costs, including land, labor, materials, equipment and taxes, are higher than in most countries in the world.
3. Lack of Experience - Growers have more experience with labrusca grapes; production is good on these types. However, growers are only now learning how to manage commercial hybrid and vinifera plantings. They are progressing, but this takes time.
4. Lack of research support - The Province supports research in this area but cannot support this area disproportionately. Ontario is a small producer of grapes. Other constituencies with large acreages can justify large research programs. In

terms of vinifera grapes, there is very little research experience in Ontario. Other areas have years, even centuries, of research and testing behind them.

5. Captive market - Ontario wineries are obliged to use at least 85% Ontario grapes in their wine. They must buy Ontario grapes. Prices are negotiated between the processors and the Ontario Grape Growers' Marketing Board. Normal market forces do not fully apply. The system protects inefficiency and militates against quality improvement at both winery and grower level.

The wineries, similarly, incur greater costs, including labor, taxes and raw materials (grapes, bottles, corks and labels). Further, because of interprovincial trade barriers, some of the national companies are forced to make decisions not always in keeping with efficient operations or in support of Canadian grape growing. Also because of loss of market share to imports, most Ontario wineries are operating much below capacity.

The industry is losing market share to imports and, if the trend is not reversed soon, the industry

may not recover. Competition is available from almost every region of the world and seems to be getting worse yearly. At present, there is a combination of converging factors, which represents the worse possible scenario to date.

1. There is an "ocean" of wine in the world.

European production has almost doubled within the past 10 years, while consumption in Europe has declined. At the same time, production in other areas (Oceania, South America, South Africa, California) has significantly increased. The surplus in the EEC is particularly acute and massive quantities are in storage.

2. Within the EEC, subsidies to the wine industries of the members, under the Common Agricultural Policy, have continued to escalate from \$80 million in 1978, to a billion dollars in 1983, and \$2.7 U.S. billion (estimated) in 1985. However or wherever applied, the net effect of subsidies is to reduce the cost of production and reduce the price of exports. In addition to EEC subsidies, several members' state governments and regional governments "piggyback" further subsidy onto their industry.

3. State run economies (Eastern Europe) and Third World participants (Chile, Brazil and Argentina) view wine or juice exports in terms of their ability to generate hard currency. In the former case, the degree of government involvement in the industry precludes there being a true method of determining the degree of subsidy; it's almost all subsidy. In the latter, cheap labor and land costs keep investment low and costs of production very cheap.
4. The U.S. industry is the least supported and the most free market. Subsidies do exist to a degree, but are more difficult to pinpoint (e.g. irrigation projects). In addition, the lack of universal social programs, the use of migrant labor and cheaper input costs greatly reduce costs of production. This industry is the most capable of providing continuing longterm competition and its proximity makes it even more menacing to the domestic industry.
5. With the exception of the USA, all of our major competitors' currencies have devalued in recent years. This devaluation has made European wine (and other goods) more

attractive to Ontario consumers. The European currencies have strengthened somewhat in recent months and, if that trend continues, could reduce the price competition somewhat. The low value of the Canadian dollar relative to the U.S. dollar has afforded some protection from that quarter. However, strengthening of the Canadian dollar would open the door for greater competition from all quarters.

The degree of subsidization in the EEC and the preferential treatment by Canadian provinces' liquor boards of their respective industries has led to claims and counter claims to the GATT of unfair trading policies. Despite these claims by the EEC, it is obvious from the dramatic increase in their sales and share of the Ontario market, that any preferential treatment given to the Ontario industry is not adversely effecting EEC sales here. To the contrary, Ontario products have lost market share. To an outsider, it would appear as though our GATT negotiators should have excellent ammunition to claim damage to our industry as a result of EEC subsidies. However, as is typical in so many agricultural issues Canadians face at the GATT, we have been put on the defensive by the EEC.

The whole issue of GATT is far too complex to be treated in detail in this Report. Indeed, experts in the field vary in their interpretation of many of the GATT issues that relate to wine. The Task Force, accompanied by two consultants who specialize in trade issues, met with Dr. John Jackson, Faculty of Law, University of Michigan, who is acknowledged as one of the world authorities on the GATT.

Dr. Jackson, while not wishing to comment upon Canadian Federal:Provincial constitutional aspects, did advise in several areas of relevance to the Task Force.

1. As a "State Trading Enterprise", under the GATT definition, the LCBO does not have to provide the same treatment to imports as to domestic goods. However, all foreign countries and foreign goods must be treated equally.
2. As a "State Trading Enterprise", LCBO can impose a "minimum Reference Floor Price" so long as all foreign countries are treated alike.

Parenthetically, it should be stated that the EEC has operated a Reference Floor Price mechanism for years which is even more discriminatory than Ontario's.

3. The 65% differential markup which was "grandfathered" in at the 1979 Tokyo round has not increased and is still legal under the GATT.
4. Subsidies of the industry by the Government of Ontario would best be achieved at some distance removed from pricing and markups and would be completely appropriate and legal.
5. The establishment of an Ontario Grape "Commission" would be legal under the GATT regulations.
6. The LCBO could establish quotas of foreign wine under certain conditions.
7. The Canadian government should have a strong case at the GATT against EEC subsidies.
8. Sale of bulk wines through winery retail stores should not represent a problem with the GATT.

The fact remains that the Ontario industry requires protection from imports for many reasons. Government involvement and regulation make it an equal partner. Protection can take many forms but some, in view of the GATT, can create fewer problems than others. Preferential markups, in themselves, are a form of subsidy. However, the preferential markup in Ontario can, in part, be justified by the increased costs which the LCBO

incurs in handling foreign wines as opposed to Ontario wines. Over the short term, additional financial support to the industry will be required in order to protect it from the confluence of international factors adversely effecting its competitive ability, and, equally important, to provide support for the industry as it transforms itself from a labrusca-based one to a hybrid and vinifera industry.

6. Research

Government wine and grape research in Ontario is coordinated through a sub-committee of the Ontario Agricultural Services Coordinating Committee (OASCC), the Ontario Grape and Wine Research Committee. The Committee is comprised of researchers from Agriculture Canada (Vineland and Harrow), OMAF (HRIO, Ridgetown, Harrow), the University of Guelph, industry and growers. There are about nine professional person years in the public system and approximately four in the private sector. The Committee reviews research and places priorities for future research. Presumably too, the Committee fosters coordination and cooperation of effort.

Research is conducted on plant breeding and variety evaluation, crop management, crop protection, and processing and storage. In actual fact, a significant responsibility in testing, monitoring, service and extension detracts from the total research effort of the personnel involved. Protection and processing research constitutes the major portion of the effort and, while these are important, varietal screening and management, at this point in time in the evolution of the industry, would appear to be at least as critical.

After all, there is considerable urgency in identifying more hardy, quality hybrid and viniferas, and learning to manage them for survival, yield and quality. Several companies, with federal support, are involved in evaluation and selection (see later), but actual breeding and screening are only conducted as a portion of one researcher's time at HRIO. Indeed, the emphasis in disease control through chemicals may, in part, reflect the lack of breeding effort to achieve these ends. Pesticides are, and will continue to be, important, and the increasingly difficult problems in acquiring registration for use of chemicals is frustrating to researchers and farmers alike, particularly when some of these chemicals are used in the countries from which the Province imports wine.

Several companies, with financial assistance from federal programs, have research projects ongoing which evaluate clones, rootstocks, scions, and varieties in the Niagara region and/or Essex and Kent. These are worthy projects but appear to suffer from some lack of coordination and, perhaps, mechanisms for sharing identified useful materials and techniques. Indeed, many in the industry are not even aware of these commercial efforts.

In addition to the current problems in

Recommendation 19

That the Government of Ontario and the Federal Government review their research and research grant policies with the view to integrating their efforts more closely and ensuring that the benefits of such programs accrue to the whole industry.

pest-management and the urgency to identify new grape lines is the need to identify the appropriate management factors (spacing, fertility, training, pruning, etc.) for the newer lines and, significantly, to identify the locales within the region which delineate the optimum areas for production of various types (labrusca/non-labrusca, hybrid, vinifera). In the future, it will become increasingly important from a quality, stability and profitability standpoint to identify the areas where viniferas and hybrids can be produced with consistency and where, by virtue of need, only labruscas should be planted.

Related to research in viticulture and oenology is the access to education in these areas. While there is some research related to the wine and grape industries underway at the University of Guelph and Brock University, there are few, if any, specific courses in either university which uniquely prepare students for careers in the area. At Guelph, there are courses in Horticulture, Chemistry, Engineering and Microbiology which are highly relevant. In addition, Food Science and Hotel and Food Administration offer courses in aspects of wine appreciation at various levels.

Recommendation 20

That the Government of Ontario, through the Ministry of Agriculture and Food, increase its research effort on vinifera grape development.

Recommendation 21

That the Government of Ontario, through the Ministry of Agriculture and Food, identify a full-time extension specialist to service the grape industry in the Niagara Peninsula.

Recommendation 22

That the Government of Ontario direct HRIO, in conjunction with other public and private researchers, to establish a site specific map for grape types within the Niagara and Essex-Kent grape regions.

The general lack of formal educational opportunities in this area has resulted in a dearth of indigenous competence in the area which has had to be rectified through the importation of European-trained winemakers. These immigrants have played a vital role in the development of quality within the industry, but, over time, some educational expertise should be developed here in the relevant disciplines. It would be difficult to justify and mount specific programs to train personnel for the industry. However, the University of Guelph could, with Government and industry support, conceivably provide significant offerings, given the incentive to do so.

Recommendation 23

That the Ministry of Agriculture and Food, in consultation with the Ministry of Colleges and Universities, and the University of Guelph and/or Brock University, investigate the feasibility of offering programs of education in support of Ontario's grape, grape juice and wine industries.

7. The Grape Growers

There are approximately 1000 grape growers in Ontario. Some 800 of these sell grapes to licensed processors. The majority is in the Niagara Peninsula but, with the presence of four wineries in southwestern Ontario, the number of growers in Essex-Kent is increasing. The size of operations ranges from a few vines to several hundred acres; the growers, from full-time to part-time to hobbyists; the vineyards from highly managed viniferas to essentially abandoned old labruscas. What the Ontario industry will become in the future will depend more upon growers' incentives and grower decisions than any other non-governmentally controlled factor. They determine grape type and grape quality. Except by blending of foreign vinifera, there is no way that the winemakers can produce wines beyond the quality of the grapes produced.

One only need to study the annual OGGMB Grapevine Census to appreciate the change that has been wrought over the past 15 years in shifting to more appropriate grape types. Indeed, had the proper market signals been present, the shift might have been even more dramatic. However, it is

significant to note that a newly planted acre of grapes represents a major investment on the part of growers. Costs of establishment and high annual management costs, in conjunction with delayed returns, represent constraints not faced by most farmers. In addition, the increased risks associated with many of the newer varieties and their increased level of management add to the considerations which must be made in converting acreage to more desirable types. Superimpose upon all of this the lack of clear direction from the wineries or government extension personnel as to which varieties to plant and one can see the dilemma faced by farmers in contemplating a change.

Recognizing the problems involved in replanting and the shift that has already occurred despite these problems, it is critical that the conversion of our vineyards be accelerated. The major market for grapes is wine, particularly table wine, and labrusca grapes are the least desirable type for this use. Conversion of Ontario's vineyards would have several major effects.

1. It would greatly increase the quantity of hybrid and vinifera grapes available to Ontario wineries and, concomitantly, improve our wine quality.

2. It could eliminate many old, non-productive (non-economic) vineyards of labrusca grapes which presently contribute to an unduly low average yield for our crop and, increasingly, a surplus of labrusca types.
3. It would increase the acreage of high population, high yielding vineyards which could enable growers to produce more efficiently over the whole acreage.
4. The increased management required should eliminate some of the less serious hobbyists and part-time producers who are not prepared to make the commitment required to make a commercial success of the new varieties.

If a rapid conversion of vineyards is to occur farmers will require assistance. It is possible to convert a very small area each year without incurring a major cash flow problem. However, in view of the urgency to convert, if the industry is to (a) eliminate labruscas from table wines, (b) produce the additional table wines required to service grocery store sales, and (c) attempt to make direct inroads into the home wine market and indirect inroads through the marketing of bulk table wines, a major government investment in the

longterm future viability will be necessary (See Recommendation 16). Such a program should include both interest-free loans for costs involved in conversion and a provision for income lost during the re-establishment period.

The grape growers, like other farmers of Ontario, can compete with any farmers in the world, given a fair opportunity.

Grape growers are organized into two marketing groups, the Ontario Grape Growers' Marketing Board and the Ontario Fresh Grape Growers' Marketing Board. The former deals with grapes for processing and the latter with fresh produce grapes. As indicated previously, the price for each class is determined by negotiation between the processors and the OGGMB. The OGGMB is involved in price negotiation, education and lobbying, and is actively involved in marketing of the crop and promotion of the Ontario grape industry. It should be noted that the growers' spouses, through their association, the Ontario Grape Growers' Action Committee, have made several attempts at promoting the industry. Neither Board has actively pursued the home wine market although many growers do dispose of small quantities on an ad hoc basis.

Neither Board really perceives marketing to the home winemaker as part of its mandate.

The majority of growers produces grapes as a portion of their total farming program. Most are involved in the production of other horticultural crops. A significant number of growers derives most of their income from non-farm employment; however, this group produces only a small percentage of the total crop.

Of significant concern to the grape growers of Ontario is the practice of Federal and Provincial Governments providing grants to create employment in regionally depressed areas without due regard to the sourcing of raw products. The short term gains in construction and modest longterm gains in labor input are more than offset by loss of markets for domestic raw products resulting from the buying practices of the owners of the above described facilities.

Such granting "practices" are not objected to, rather the lack of commitment to sourcing domestic raw product is objected to.

Recommendation 24

That Government grants, be they Federal, Provincial or Municipal, made for the purpose of increasing employment in regionally depressed areas, be conditional on the recipient of such grants sourcing raw products domestically, whenever available.

8. The Wineries

Ontario wineries have made major strides in recent years in improving the quality of their product. As consumer preferences changed, the industry reacted as quickly as possible within the constraints under which it operated i.e. the necessity to utilize labrusca grapes. It is a testament to our winemakers' skills that they have been able to make table wines of the quality that they have with the type of grape with which they have had to work. Introduction of the Wine Content Act has helped in this regard. Further, as increased amounts of hybrids and vinifera types became available, our winemakers have shown they are capable of producing excellent and, occasionally, great wines. Our winemakers have had a greater challenge than their foreign cohorts, but they have demonstrated that they have the skill and knowledge to compete.

The industry is comprised of large, well established wineries, medium sized wineries and several new, small wineries, including two or three which might be best described as "farm" wineries.

In general, the large ("big four") wineries carry a full spectrum of wine types ranging from dry table wine to sparkling to ports and sherries. While

the bulk of their production is comprised of stretched labruscas blended with domestic and/or imported vinifera, they make many excellent products in all wine types. The small wineries have tended to concentrate on the quality end of the market, shunning labrusca grapes and avoiding stretch (for the most part). The medium sized wineries are intermediate in size, product line and general approach to the industry. Since the establishment of Inniskillin in 1974, there has been a significant proliferation of wineries in the Province. Some have remained small while others obviously aspire to become major commercial operators.

The business is dominated by the large wineries, all of whom are national in character with wineries in other provinces. In Ontario, these wineries have had to do a major selling job to convince consumers that they are no longer just purveyors of sweet, fortified wines. Oral and olfactory memories of the industry of thirty to forty years ago have not only hung on, they have been embellished. However, the major wineries have made significant strides in overcoming that legacy.

The new small wineries, on the other hand, had

no reputation of their own to live down but were still open to the general public prejudice against Ontario wines. Despite their relatively small marketshare, the new smaller, wineries have had a major impact on changing the public perception about what is possible from our soil, climate and varieties. Old myths die slowly, but they are dying.

Despite the economic problems within the industry, it is to their credit that the established wineries have retooled to stay modern and the newer wineries have installed modern, state-of-the-art equipment. This represents an investment in the future of the industry in the Province which merits commendation and support. Basically, the desire is there to be competitive from a quality and economic standpoint, if given an equal opportunity to compete.

One might, under the current economic conditions which the industry operates, question the advisability of new entrepreneurs requesting winery licenses or the Government granting them. Were the expansion of Ontario wineries to occur at the expense of foreign imports, there could be justification; however, it appears as though the Ontario wineries are competing for a diminishing

domestic share of the market. Until the climate improves for the sale of Ontario wine, it would appear to be not in the interest of the industry to see the establishment of additional commercial wineries.

However, in view of their major contribution in creating a positive image for the industry, true "farm" type wineries should not be discouraged. Indeed, the proliferation of small wineries of this type could do much for the overall image of the industry. In California, Europe and Australia, it is the presence of the small wineries that provides the ambiance and mystique to their wine regions. Many farm wineries could not only enhance the visible fabric of our domestic industry, they could also provide an added dimension to the tourist business in the area.

It is fair to say that our industry has not defined itself in terms of what we are as a wine country. The industry has not really looked at what we can do the best and concentrated its efforts to that end. Rather, the industry (particularly the large wineries) has tried to produce something resembling almost everything currently being imported, frequently imported from

Recommendation 25

That the Government support the concept of an increase in the number of "farm" wineries i.e. a small winery which produces wine not in excess of 50,000 gallons per year from grapes grown on the property.

areas which specialize and are noted for that product only. Some rationalization of the industry would seem to be in order.

In a different, but related, vein the industry is plagued by a proliferation of brands i.e. different wines. In addition to the competition with foreign wines on price and image is the competition for shelf space in the LCBO stores. Currently, there are 1120 different brands listed by the LCBO of which 469 are Ontario brands. It is inconceivable that the industry can pretend that that many types of wine are produced in the Province. However, it is thought that, with minor differences in blend, a different name and a different bottle, hopefully, there will be something for everyone's taste. In part, the proliferation of Ontario brands is the industry's main line of defense against the proliferation of foreign wines in the LCBO. As indicated previously, with the exception of a few true connoisseurs, the average Ontario wine consumer is not as sophisticated in wine drinking as his counterparts in other developed countries, none of whom expect or demand the vast selection of foreign wines provided to Ontario consumers; nor would their governments provide the selection. The problem with brand

Recommendation 26

That the Government of Ontario direct the LCBO to immediately cease the trend towards brand proliferation of wine in its stores and, in concert with the Ontario industry, determine means by which total brands available would be substantially reduced for both imported and domestic by means of quota adjustments.

proliferation cannot be addressed by the wineries alone but should be addressed in concert with the LCBO. The current situation places too many foreign wines on the shelf, creates confusion for consumers in LCBO stores and encourages proliferation of Ontario wine brands. This latter consequence must increase costs of production somewhat and discourages rationalization of the industry.

All Ontario wineries are members of the Wine Council of Ontario, the provincial winery trade association. The diversity in approach and the major discrepancy in the size of the member companies does not make consensus easy on many issues. Significantly, the industry, through the Council, has been able to close ranks and reach unanimity during periods of (near) crisis which effect the industry at large. As a result, the major effort of the Council has been that of a lobby for the industry with the Provincial Government. (A national association, the Canadian Wine Institute, serves a similar function with regard to national issues). It is no secret that the Council's position to Government is occasionally undermined by individual members presenting their own corporate, sometimes

conflicting, position to Government officials. Without a common industry, including growers', position, Government may be uncertain as to the proper direction the industry wishes to move and, as a result, may find it easier not to react at all. Regardless of these occasional problems, the Council still provides an essential vehicle for the industry in its dealings with the multiple branches of the Government involved in the industry.

It is unfortunate that the Council cannot become involved in the broader areas of self interest of its members. Most notably, cooperation in the areas of promotion of the Ontario industry, and coordination and cooperation in research (See Recommendation 19) are lacking.

Industries, frequently supported and financed by the government, in other wine constituencies in the world promote their regions to the benefit of all, yet still compete for the larger ensuing market. Our companies have been too self-centred in this regard. At the very time when the industry needs it the most, the time when the Ontario industry needs visibility, good press and positive reinforcement, who is promoting the Ontario industry to the public? not the wineries; not the

Government. Most foreign countries do promote their wines here. Full color, high quality brochures appear as inserts in our major newspapers; foreign national wine clubs are established for tastings, promotion and importation of their vintages; tourists are enticed to visit wine regions in other countries with travel brochures in travel offices and in the travel sections of our newspapers. How often do these same outlets promote our wine regions? Is it any wonder that the battle for the minds and dollars of the wine drinker is being lost? The industry needs promotion as an industry, small though it be, but unique in its own way. To achieve these ends, the industry must help itself. Although such a scheme would require a major change in corporate thinking at some wineries, promotion of the whole industry should ultimately benefit each participant proportionally.

Recommendation 27

That the Wine Council of Ontario, with the financial support of the Government and the growers, map out and implement a strategy for an extensive promotional program for Ontario wine, including increased effort and visibility in the liquor stores.

9. The Brandy Industry

Brandy is the alcoholic distillate of wine.

Canadian Food and Drug Regulations (1982) specify that brandy must be aged for a period not less than two years under small wood.

There is one distiller of brandy in Ontario. A brandy industry is critical to a wine industry in that it represents a market for low quality grapes (below LTL) and wine and serves to absorb some of the excess grapes/juice in years of surplus. The Ontario Government has recognized this need and encouraged the establishment of the facility.

Ontario brandy is of excellent quality, but despite this suffers from the same, or worse, discrimination as Ontario wines in the minds of the consuming public. Only about 4% of brandy purchased in Canada is domestic product.

Although Canadian regulations specify a minimum of two years aging under small wood, there is some question as to whether all brandy (and Cognac) imported from the EEC meets this requirement as European specifications sometimes differ for domestic or exported material. However, the Canadian Government accepts European documentation in this regard at face value. If, in

Recommendation 28

That the Government of Ontario permit the sale of Ontario brandy in winery retail stores, and investigate means by which greater visibility and consumer awareness of the product might be achieved.

fact, all imported brandy does not meet the requirement, that places the domestic industry at a significant economic disadvantage, as the policy is policed here. In addition, some countries provide substantial exports subsidies for brandy.

Similarly, in other countries where fortified wines are produced, it is traditional that the fortification be made using brandy (grape spirits). In Ontario, that is not a requirement; fortification can be accomplished using grain alcohol, which is much cheaper. Domestic standards are below international standards.

It is in the Province's and the grape and wine industries' interest that the brandy industry not only survive, but prosper.

Recommendation 29

That the Government of Ontario, through the LCBO, review the standards for the production of fortified wines with the possibility of changing the regulations which permit fortification with grain alcohol, if the economics of the change can be secured.

Recommendation 1

That the Government of Ontario establish a Grape and Wine "Commission."

Rationale

The wine industry in Ontario lacks a Government focal point. Several Ontario Government Ministries have a direct involvement with the industry and a couple other Ministries have a peripheral interest. Growers, through the OGGMB, seek out Government officials to make their views known; wineries, through the Wine Council of Ontario (WCO), seek out officials to make their views known; indeed, individual wineries have their own contacts in various Ministries and present their own perspective on the industry. This presents a situation where there is continual lobbying of MPPs, Ministers and Deputy Ministers, frequently providing a series of mixed signals to these personnel which, in the long run, often lead to confusion and, at times, frustration and inaction. Similarly, although equal partners in the domestic wine industry, the growers and wineries often have different vested interests, and conflicts and perceived interference in each other's business sometimes arise. Creation of a "Commission" would serve as a buffer between these groups and between these groups and the Government.

As a Government (or paragovernment) body focusing on the wine industry, the "Commission" would have several possible roles:

1. The "Commission" would serve as the body through which all grapes, juice, concentrate and wine, domestic and imported, would move to wineries. In the case of domestic grapes, the "Commission" would purchase from growers and sell to wineries, negotiating price with both parties. Through creative pricing, it would become a major instrument

in initiating positive change through market signals. For example, given a total value for the grape crop, the "Commission" might decrease the price of labrusca type grapes to farmers and increase the price of hybrid and vinifera i.e. send market signals back to growers. Similarly, for the same total value of the crop, the "Commission" might increase the price of labrusca grapes to the wineries, but decrease the price of hybrid and vinifera types. The "Commission" would also have a major involvement in moving purchases to a quality (sugar) basis for payment of grapes. (See Recommendation 4.)

2. The "Commission" mandate should include all grapes, juice and concentrate coming into the Province, including that imported for the home wine industry. The "Commission" fees collected would provide a significant source of support for the continued improvement (grape variety shifts through research and replanting) of the domestic industry. (See Recommendation 16.)
3. Given authority to modify and enforce the Wine Content Act and Liquor Control Act, the "Commission" could adjust stretch and blend regulations to meet the changing needs of the industry. Conceivably too, it would assess a fee for use of blend and stretch, utilizing funds collected to further reduce the price of domestic hybrid and vinifera grapes to wineries.
4. Given the authority to handle all grapes and wine produced, imported and marketed within the Province, the "Commission" would determine import requirements within the context of domestic production to assure that domestic grape production would be fully utilized. In order to achieve these objectives, some of the functions currently performed by the LCBO would be assumed by the "Commission". These would include listings, markups, package size, etc.

5. The "Commission" would also serve as the key Government presence in the wine business. The Government has, in the past, provided financial support to the industry (e.g. replanting program, purchase of surplus grapes, etc). Future Government support, if required, should be channelled through the "Commission".
6. The "Commission" would be comprised of a relatively small staff including managerial, financial and clerical personnel. A Management Board, comprised primarily of private citizens selected by the Government from a list submitted by growers and wineries, but including at least one representative from the growers and one from the wineries would be established. The "Commission" should report directly to the Ministry of Treasury and Economics.
7. It is imperative that, prior to the establishment of the "Commission", significant planning and discussion, in which all parts of the industry and government participate, take place.

Implications

While initially the "Commission" could be perceived as more bureaucracy, in actual fact, given enough authority, it could reduce bureaucracy. In addition, an "arms length" relationship from any Government Ministry would enable the "Commission" to deflect much of the lobbying and pressure currently put on politicians and senior civil servants. Also, Government policy relative to the industry could be more focused, co-ordinated and purposeful.

The "Commission" would ensure the development of the domestic industry into a viable, world class industry which, over time, would command the allegiance of Ontario consumers and the respect of the international wine world.

Recommendation 2

That the Government of Ontario encourage the Federal Government to impose a tariff on grapes and, that at the forthcoming GATT Conference, renegotiate the retention of the 65% markup differential on foreign wines.

Rationale

The domestic wine industry is heavily taxed by Government while a thriving home wine industry completes utilizing imported grapes which escape tax at any level. At the same time, Governments are having to engage in programs of purchasing surplus grapes. In a similar vein, the Government has supported the development of industries in others parts of the country which are based on the sale of imported juice. The policies seem, at best, conflicting and, at worst, discriminatory.

In addition, the 65% markup differential which was "grandfathered" in at the 1979 (Tokyo) round of the GATT, is critical to the price differential which Ontario wines require. Although perceived by the importers as a purely discriminatory tax on foreign wines, in actual fact, most of the differential is a legitimate charge for the additional costs which the LCBO incurs in handling foreign wines.

Implications

Reduction of competition of the domestic industries by import-based industries should increase the sales of domestic products, reduce the surpluses of domestic grapes and reduce imports. Also, retention of the 65% differential is really not entirely discriminatory for foreign wine distributors who are a major user of the LCBO storage facilities and who, through the LCBO, have access to marketing outlets in every corner of the Province.

Recommendation 3

That the Government of Ontario, the Ontario Grape Growers' Marketing Board and the Wineries make a concerted effort with the Federal Government to change its attitude regarding the Canadian wine industry to one which is more positive and supportive.

Rationale

The Federal Government and Civil Service would appear to be no less biased (snobbish) against the wine industry than the public at large. However, in view of its very visible position, the Government not only reflects attitudes, it creates them. Were no first rate Canadian wines available, there could be an excuse for the use of imported wines at State Occasions, at Government Ministry functions, in the Parliamentary Restaurant, for use by the military and for use by Crown Corporations, etc. However, this is not the case; there are many excellent Canadian wines. Too often, even if Canadian wines are used, foreign wines are as well, and Canadian wines are given a low profile (served, if requested) or offered with apology. How can our Government promote "Buy Canadian" when the Government does not?

No less personage than the Prime Minister when he was seeking the office stated at a speech (July 28, 1984) in the Niagara Peninsula:

"we will work together with the Ontario Government, the wine industry and the grape growers to devise ways and means to increase demand for Niagara grapes.....".

He is now in a position to create change which could significantly assist the industry, reduce our imports and create, through example, an attitude which could have broader application to the general consuming public.

Implications

The Federal Government is not only one of the largest single purchasers of wine, it is one of the most influential. A Government decision to purchase "Canadian only", as is the case with many Government purchases, could set an example to its employees, the general public and official visitors to the country hosted by the Government.

Recommendation 4

That the industry should extend its limited program of grape purchase based on sugar standards to all hybrid and vinifera grapes (Classes 5-10) as soon as details and logistics can be worked out.

Rationale

The sugar standard is used universally as a measure of grape quality. The standard is more than a measure of sugar levels; it is indicative too of the presence of the other qualitative attributes which impart the subtle flavors and odors which give wines their distinctive character. The current system, except for the de Chaunac, Riesling and Chardonnay varieties, does not provide the financial incentive (or disincentive) to farmers which a sugar standard would provide. Granted, sugar can be added during vinification to compensate for the lower natural sugar level, however, the low level of organoleptic attributes cannot be rectified. The concept of Lower Tolerance Level as a minimum standard for delivery plus the discount for below base sugar level and a bonus for above base sugar level has worked with de Chaunac. It should be implemented to cover all hybrid and vinifera grapes.

Implications

Adoption of the sugar standard for grape purchases would provide the financial incentives to which growers would respond. Over time, the quality of the raw product arriving at the wineries should enhance the quality and, ultimately, the reputation of Ontario wines.

Recommendation 5

That the industry should begin immediately to phase out the production of labrusca grapes for use in table wines, including light table wines. After December 31, 1995, labrusca grapes would no longer be permitted in table wines.

Rationale

As emphasized throughout the document, there is no place in the future for labrusca grapes in Ontario table wines. Simultaneous with the increased production of hybrids and vinifera grapes (See Recommendation 16) should occur a phasing out of the current labrusca varieties (being cognizant of the fact that a certain acreage of specific labrusca varieties will have to be retained for non-table wine and non-wine uses).

Using information generated by HRIO relative to levels of methyl anthranilate and Total Volatile Esters in varieties, the worst offenders should be eliminated first. The resultant ordered list would serve as a guide to growers in terms of what varieties should be eliminated first and what varieties not to plant in the future for sale to wineries.

A tentative list of varieties, in order of decreasing urgency, would include the following varieties:

White

Niagara

Catawba

Agawam

*Delaware

Elvira

*Ventura

*Dutchess

Red

Concord

President

*Veeport

* North American hybrids

Specific dates for elimination of these varieties from the list of varieties acceptable to wineries for table wine should be negotiated by the wineries and growers. A sunset date (December 31, 1995) should be established for all labruscas used in table wine.

Implications

One of the problems facing growers is a lack of direction regarding replacement of vines. It appears that neither advisory services nor winery personnel will tell them what variety to plant; however, "what not to plant" recommendations are of some assistance to growers making decisions.

The ultimate significance of this program would be the elimination of these grapes from the table wine category and the simultaneous improvement in Ontario table wines in general.

Recommendation 6

That the Government of Ontario and industry support the development and expansion of the grape juice industry to fully explore the utilization of labrusca varieties for non-alcoholic products and that a portion of this support be directed to marketing research and/or market development

Rationale

As labrusca grapes are phased out for use in table wines, these grapes will be in surplus. Some of the older stands should be replanted to hybrid and vinifera vines (see Recommendation 16); however, some of the younger stands will be maintained. In addition, there are areas of the Niagara Peninsula where hybrid and vinifera grapes cannot be grown. There will be labrusca grapes produced beyond the requirement for other types of wine or for juice, at the current level of production. Some varieties will be in surplus. Many of these varieties are excellent for juice and the market for their use should be developed.

The juice industry currently provides a market for some 20-25% of all grapes produced in Ontario for processing purposes. This market has been in a state of decline due to external pressures. At the same time, it is widely accepted that the quality of juice made from Ontario grapes has been and continues to be excellent. Declining markets for Concord, Niagara and the anticipated declining markets for the varieties Elvira, Agawam, possibly Catawba, Ventura, and certainly the hybrid De Chaunac provide an incentive to fully explore the technology of juice production from these varieties, supported by marketing research and/or market development, to introduce the new products to the consumer.

Fruit juice demand is increasing as a result of changes in life-style, packaging and marketing. Grape juice is delicious, nutritious and refreshing; it should be a natural contender to share in the expansion. In 1984, almost \$6,000,000 of grape juice were imported into Canada. Given the proper product, marketing and incentive strategy, there is no reason why an all-Ontario product could not replace much of these imports.

Some 17,000 tons of Ontario grapes were marketed as juice in both 1981 and 1982. A return to this level of market would partially alleviate the surpluses anticipated in the labrusca varieties, and would retain the opportunity for growers with soil types and/or climate only marginally suitable for the production of the hybrid and vinifera grapes to retain their interest in the grape industry.

Implications

The proposal would make the shift to the use of hybrid and vinifera in table wines less traumatic for those who have young labrusca plantings and those who are not growing in areas where hybrids and vinifera can be produced.

Recommendation 7

That the Government of Ontario, through the Liquor Control Act, move to eliminate the practice of stretch in the production of table wines as hybrid and vinifera grapes become available in sufficient quantities (see Recommendation 5), after which, a maximum yield of 180 gallons per ton of grapes will be mandatory for table wines and 200 gallons per ton of grapes for light table wines.

Rationale

The practice of stretch pre-existed the era of the Ontario Temperance Act and Prohibition. It was a means of extending the juice from a ton of grapes beyond the normal 160 gallons per ton. More recently, its justification has been based on the need to dilute the foxy nature of labruscas when making table wine. Obviously, where there are sufficient non-labrusca grapes for the production of table wine, the practice cannot be justified. Stretch is not permitted in most other winemaking regions of the world.

Implications

To those wineries currently involved in the manufacture of wine utilizing stretch, this change would represent a significant increase in costs of production. Obviously, the input cost of water is not high. While it may be argued that our grape prices are too high for our wineries to truly be competitive, many smaller wineries are now operating without resorting to stretch. A phasing out of the practice of stretch would seem appropriate while, at the same time, mechanisms should be put in place to reduce the price of preferred grapes to the wineries.

Recommendation 8

That the Government of Ontario establish a Standards/Classification Committee, comprised of winemakers and other technically qualified personnel, to establish a Wine Classification System of production standards for the table wine class.

Rationale

Although knowledgeable wine drinkers are aware of the fact that there are some excellent Ontario wines, the vast majority of consumers lack the knowledge to select the quality products available. As a result, to be safe, many consumers avoid Ontario wines entirely. In all wine producing countries of the world, the bulk of the wine produced, consumed and exported is ordinary, frequently blended wine; however, their superior wines are identified and promoted and portrayed as possessing near-mystical properties. They are the wines which create the image of their industry. Ontario lacks such a classification.

The committee should define our wines in a manner similar to those described by the OIV (Office International de la Vigne et du Vin) but, perhaps, not as rigidly. Classification of wines in California is minimal and a study of the two systems could lead to the development of a classification appropriate to the Ontario condition.

Implications

Development of a classification system for Ontario table wines should lead to the more confident selection of Ontario wines of prescribed quality. Ultimately, such a system could play a major role in changing the image of Ontario wines in the mind of many consumers. The system should highlight the fact that there are many excellent wines produced in the Province which represent significantly better buys than many of the currently-popular imports.

Recommendation 9

That the Government of Ontario, through the LCBO, recognize "pop" wines, ports, sherries and coolers as an important, but different, segment of the industry and permit complete flexibility in terms of stretch for these products but assess a stretch levy on their production in excess of 250 gallons per ton of grapes, or as determined by the "Commission" (See Recommendation 1). The levy collected should be used in the financial support of the grape and wine industries.

Rationale

Many wine products can be manufactured which require neither the quality of grape nor the limitations on stretch allowance which currently pertain. Indeed, some products would be more difficult to produce without stretch. Such products compete for a specific segment of the market and are promoted largely on a brand basis. So long as these products are not called wine (see Recommendation 10), there should be greater company flexibility in their manufacture and the current requirements in the Liquor Control Act regulations should not apply.

Justification of the levy is that these products receive the benefit of Ontario's preferential markups necessitated by Ontario's land use policy, and yet use significantly fewer grapes in their manufacture than do table wines.

As indicated previously (see Recommendation 1), the level of stretch employed would be reassessed by the "Commission" at regular intervals.

Implications

The recommendation would permit companies to more efficiently produce wine-based products which, although a small segment of the market, represent products for which there is a demand, products which several companies have expertise in producing, and products which utilize a significant tonnage of grapes, including labruscas. The collection of a stretch levy would seem appropriate in view of the fact somewhat fewer grapes would be required in the manufacture of these products.

Recommendation 10

That the Government of Ontario, through the LCBO, create a classification "wine beverage" for those products for which significant stretch is an integral part of their manufacture. A minimum grape content for "wine beverages" should be established immediately.

Rationale

The designation "wine beverage" would distance such products from the quality table wines which the Province is capable of producing. While recognizing that there is a market for such products and not discouraging their production, a change in designation would remove them from the wine classification and the table wine section in LCBO stores. Such an action would identify them for what they are and, at the same time, reserve the "wine" designation for the legitimate products of traditional winemaking, which constitute the major continuing market.

Implications

The industry is attempting to change the image of Ontario wine but at the same time it has produced many products which, by virtue of their manufacture, detract from the image the industry is attempting to portray for its table wines. The Recommendation would remove from the wine category a portion of the produce which detracts from the quality image.

Recommendation 11

That the Government of Ontario ensure that all Government Ministries, Crown Corporations and institutions supported by Provincial funds purchase only Ontario wine. Further, the Government should make that preference known to the proprietors of the establishments frequented. Also, that the Government, through the LCBO, should promote and expand the sales of Ontario wines through the liquor store system.

Rationale

For several years, it has been the policy of the Government of Ontario to ensure that Ontario wines are served at official Government events. In this regard, the Government has provided both business and moral support to the industry. However, while this has been the practice at "official" public events, there are many private luncheons and committee and sub-committee luncheons at hotels and restaurants where the same practice should obtain. Similarly, institutions or Crown Corporations, as quasi governmental bodies, should be directed to do the same. Included in this group should be hospitals, prisons and universities.

The Government might most easily display its commitment to the industry, within its own liquor store system. The LCBO stores have done some of this (Bicentennial Program) but a general awareness of the quality of Ontario wines and of the importance of the industry to the Province, on the part of the frontline LCBO employees, could increase their sensitivity to the need for marketing our products.

Implications

As a (the) major sponsor of many dining and social events, the Government is a major purchaser of wine. Were all Government wine purchases of Ontario origin, that alone would assist the sale of Ontario wines. Further, the Government would not be supporting our major foreign competition. The Government should set the example to both participants and licensed establishments that selected Ontario wines are, indeed, of excellent quality. For many skeptics of the industry present at such functions, such experiences could lead them to purchase Ontario wines. The Government, through its action, could set a tone that could have a significant ripple effect over time.

Recommendation 12

That the Government of Ontario designate both the Niagara area and Essex-Kent area as a "Wine Region" and request the relevant Provincial Ministries and the Federal Government to take the appropriate action to implement the designation.

Rationale

As the quality of Ontario wine continues to improve and has reached the stage where pride could and should be taken in many of our wines, promotion of the industry should increase consumer awareness of that fact.

The Ministry of Transport and Communication should place signs on roadways leading into the districts to identify the Niagara and Essex-Kent regions as wine regions. As in other jurisdictions (e.g. California), roadsigns should be placed on major thoroughfares (e.g. Queen Elizabeth Way) indicating the location of wineries, particularly those offering tours, in the area. Similarly, winery locations might be listed on official government roadmaps.

In addition, the Ministry of Tourism and Recreation should promote the area in its booths, brochures and commercials.

Many visitors to Ontario are unaware of the grape and wine industries here. Significantly, many Ontarians are not familiar with the industries and, more importantly, the product.

Implications

Greater publicity of the Province's grape and wine industries could increase consumer awareness of both visitors and Ontario residents. Ultimately, over time, there will be less reluctance to purchase Ontario wines.

Recommendation 13

That the Government of Ontario instruct the LCBO to continue and increase the promotion of Ontario wines through the liquor store system and that both the LCBO and the LLBO review their regulations regarding all wine purchase and consumption.

Rationale

Wine is principally a beverage consumed to enhance food; indeed wine is a food itself. There are regulations which act as a deterrent to the sale of Ontario wines which should be rectified. Examples of useful changes would include the following:

The use of bottles on the table in restaurants are promotions given to indigenous industries in many countries. Ontario wine should be treated in a similar manner.

Ontario wines should be exempted from food:liquor ratios in restaurants.

Ontario wineries should be permitted to have food service facilities and picnic areas on the premises (adjacent public parks are used in that fashion now).

Ontario wineries should be able to accept credit cards for purchases at the winery. Many tourists do not carry cash and depend upon the use of credit cards. They are disappointed and disgruntled to learn they are not acceptable in Ontario.

Ontario wineries should be given the opportunity of franchising their winery retail store operations if they wish to do so.

Winery tours and sale of wines at the wineries should be permitted on Sundays and holidays. These are major tourist days and, at this moment, wineries are greatly restricted in catering to the trade on those days.

Winery retail stores should be permitted to conduct in-store tastings in a manner similar to the current practice in the LCBO "Vintages" stores.

Many personnel in the LCBO stores are knowledgeable about wine and have developed excellent marketing skills. The expertise should be encouraged and expanded and directed towards servicing both the industry and the consumer through the promotion of the Province's premium wines.

Winery retail stores, which are only marginally profitable now, should be permitted to carry other wine-related items such as gourmet foods, cheeses, delicatessen products etc. in order to improve their viability and offer a broader service to customers. Similarly, food boutiques and delicatessens should be permitted to carry a limited number of brands of Ontario premium wines.

The use of homemade wine in licensed banquet halls for family occasions in public places should be prohibited. It represents a potentially significant threat to our indigenous wine industry and a potential health hazard. If this recommendation is not accepted, at least wines to be used should be pre-approved by appropriate health and LCBO authorities before a permit is issued.

Implications

The proposal could improve tourist and general consumer attitudes towards our industry. The domestic industry could be given greater positive visibility and increased exposure to the consuming public. Such changes could also significantly reinforce wine's reputation as a drink of moderation appropriate to the enhancement of fine food and dining.

Recommendation 14

That the Government of Ontario move to market only Ontario wines in grocery stores. In the event that only Ontario wines cannot be sold in grocery stores, wine should not be sold in grocery stores, but the current freeze on the issuance of mini-store licenses should be lifted.

Rationale

Wine, because it is a food and the beverage of preference with food, should have that image reinforced. Its availability in food stores would help to put that image in perspective. Because of the nature of wine and its more moderate utilization, wine's availability on a more general basis does not suffer from the same criticism as does beer. Beer has a different image and reputation, particularly as portrayed in commercials on television which reinforce that image. Beer commercials sell lifestyles; wine commercials (for the most part) sell quiet moments and enhanced dining. It is unfortunate that wine has been paired with beer in the on-going debate concerning grocery store sales.

On a different note, it is critical that only Ontario wines be sold in grocery stores. The industry is currently under pressure from surplus, subsidized imports, primarily from the EEC. The added competition of foreign wine in this context could further disadvantage the domestic industry.

The LCBO should continue as the distributor of wine in order that there be no direct negotiations between wineries and grocery store owners/managers. As top selling Ontario wines would be likely candidates for sale in grocery stores, it is critical that these continue to be marketed through the LCBO outlets.

Implications

The most positive and longlasting effect of making wines available in food stores would be the consolidation in the eyes of the public of wine as a drink of

moderation principally associated with dining. It is in the interest of the wine industry to distance itself from other alcoholic products both in image and utilization.

The sale of Ontario wine in grocery stores would significantly increase the sale of Ontario wines. It does not automatically follow that total wine consumption would increase. Indeed, the most significant effect would be on the Ontario market share of the current consumption. In addition, access to only Ontario wine in grocery stores could expose Ontario wines to consumers who otherwise would bypass the brands in the LCBO stores. The fact that the LCBO would still carry the full range of domestic and imported wines would mean that the overall traffic through the LCBO stores should not decrease that much.

If the sale of Ontario wines does increase significantly, as expected, that could create a supply problem insofar as hybrid and vinifera grapes are concerned. This again points up the urgency of entering into a major grape replanting program of these types to ensure that the proper grapes are available (see Recommendation 16). In the interim, it may be necessary to temporarily modify the blend regulations so as to meet the increased demand with a quality product.

The LCBO, as a "State Trading Enterprise" under the GATT definition, should be able to implement this proposal without contravening GATT responsibilities or the spirit of the GATT. Participating grocery stores would be designated as LCBO licensees or agents.

Recommendation 15

That the Government of Ontario reduce the Provincial taxes on wine and study how total Government revenue might be maintained or increased by such action.

Rationale

Few, if any, wine producing areas tax their domestic industry as does the Provincial Government. The price of wine and, indeed, all alcoholic beverages is a continuing complaint of most Ontario consumers and, particularly, individuals involved in the tourist industry within the Province.

The major activity in home winemaking in this Province is driven by escalating prices at the LCBO, and proportionally-sized home winemaking industries do not exist in other constituencies where wine prices are reasonable.

Similarly, the significant increase in the illicit movement of alcoholic products across the border from the USA is largely attributed to the price differential between the two constituencies, even considering exchange rates. While the major portion of this "trade" is by individuals for their own use, increasingly, the practice is becoming commercial.

The home wine industry and smuggling represent a major loss of revenue to the Government, growers and wineries which should not be ignored. The home wine industry itself represents a total loss of taxes in excess of 100 million dollars per year.

While the effect of an overall reduction in wine prices might be construed by some as an incentive for increased per capita consumption, the major impact should be on the source of the product consumed.

Implications

The total effects of significantly reducing wine markup and prices cannot be predicted. However, there could be several positive effects.

1. There could be a significant shift of consumers of homemade wine and illicitly obtained U.S. wine to commercial wine purchased through the LCBO. This should increase:
 - (a) Total LCBO revenue from markup
 - (b) Total wine produced domestically
 - (c) Total grapes required by the wineries

When assessing the overall impact of a Provincial tax reduction, all factors should be considered. While it is obvious that lower tax would generate less revenue at a constant volume, total revenue may not be less. Similarly, the overall increase in the prosperity of the industry could lead to substantial increases in corporate and personal income tax and reduced unemployment and welfare.

2. There may or may not be an increase in per capita consumption, the main effect being a shift in source from homemade to bottled.
3. The home winemaking industry is largely an unregulated (almost underground) industry. The product, from a quality standpoint, is variable; and the product, from a health standpoint, might be very suspect, particularly in view of the lack of knowledge by amateur winemakers regarding unknown byproducts of the fermentation process when the system is pushed to achieve higher levels of alcohol yield. Some products may be merely noxious; others may be dangerous.

Recommendation 16

That the Government of Ontario underwrite a major program in support of vineyard replanting and renewal. The urgency of this Recommendation cannot be over-emphasized.

Rationale

Ontario, in recent years, has produced grapes in surplus. In part, this is a result of the loss of table wine marketshare to very competitively priced, perceptually superior European imports. The shift away from labruscas should significantly improve the quality and acceptability of Ontario wines. Currently, about 50% of our domestic table wine is made from non-labrusca grapes. There is a critical need to increase this proportion to 100%.

Were the industry to significantly move to service the home wine market through the sale of bulk wines (See Recommendation 17), it would require significantly more non-labrusca grapes as, for the most part, labrusca grapes are not acceptable to that market. At the moment, we cannot move to service that market. The market is there if it can be serviced by the production of the type of grape required. If there is any hope that it can be serviced within the foreseeable future, it will require almost a "crash" program of hybrid and vinifera planting. In the interim, if it is deemed desirable to service this market, it may be necessary, because of a shortage of hybrid and vinifera grapes, to temporarily relax further the Wine Content Act insofar as blend regulations are concerned.

Implications

The future of the Ontario grape and wine industries is too often viewed in terms of surplus problems, restraint and cut-back. In actual fact, the mentality should be one of expansion and prosperity. With a modest price differential, Ontario wines can compete, and with improvement in the overall quality of our wines, they could compete better, perhaps with even less of a differential in price. If the industry had the capacity to produce significantly more non-labrusca grapes, the implementation of a bulk wine industry could begin to cut into the massive home wine markets and, concurrently, make significant inroads into the sales of the cheap imports.

Recommendation 17

That the Government of Ontario permit and encourage the sale of non-labrusca bulk wine at Ontario wineries and winery store outlets.

Rationale

The primary reason for permitting bulk sales of wine at wineries relates to the desire to create the image of "wine country" in the minds of Ontario consumers. As part of an overall goal of making Ontarions more aware of our wine industry, the idea was conceived as one method of encouraging consumers to visit our grape growing areas. As initially conceived, the Recommendation would have restricted the sale of bulk wines to winery outlets only for a brief period during and after grape harvest. However, the limitation imposed by those restrictions, in terms of harvest and winery activity at that time, lead to the more liberal Recommendation.

In practice, this Recommendation should have several positive effects on the industry and its viability.

The Recommendation would create a new class of wine for Ontario - a so-called "wine of the country - vin du pays". In view of the fact that handling, bottling, packaging and storage costs would be reduced, and the appropriate LCBO markup and Ontario Provincial Sales Tax proportionally changed, bulk wines would be priced significantly below bottled wines.

Conceivably, if the price were right, a significant number of people who are currently engaged in home winemaking would opt for this easier, more reliable source for home bottling. (In some countries, home bottling of bulk wine occasions have become traditional annual events).

By the same token, these wines could represent significant competition to the cheaper foreign imports of vin ordinaire and table wines.

Implications

Implementation of this Recommendation could be most positive in view of its effect on creating an increased awareness of our wine industry and an increasing exposure of our wine to the Ontario public. Implementation is not directed at increasing total consumption of wine but at changing the buying habits of many consumers. In terms of government tax revenue, sales of bulk wine to consumers currently involved in home winemaking would add to revenues as this increasing practice currently escapes almost all taxation. Under the current taxation system, the loss of tax on the home wine market (Provincial and Federal) is in excess of 100 million dollars per year. However, any shift from bottled wine sales, foreign or domestic, in LCBO stores to bulk wines would reduce the revenue.

Recommendation 18

That the Government of Ontario press the Government of Canada to waive its sales and excise taxes on the sale of bulk wines produced primarily from indigenous grapes, if it can be negotiated under the GATT.

Rationale

The home winemaking industry is based primarily on imported grapes. Currently, there are no provincial taxes or federal duties on these. At the same time, wine produced from domestic grapes has Provincial tax, Provincial markup and Federal duties applied to it. Such a situation appears to be incongruous in view of the recent Federal and Provincial buy-up of surplus grapes and the massive loss of foreign exchange to import these materials.

Implications

Elimination of the Federal duty on bulk wine sales would help to significantly increase domestic grape requirements and significantly reduce the outflow of dollars used to purchase the imported inputs which fuel the home wine industry. Such import replacement benefits Government, growers and the economy.

Recommendation 19

That the Government of Ontario and the Federal Government review their research and research grant policies with the view to integrating their efforts more closely and ensuring that the benefits of such programs accrue to the whole industry.

Rationale

The current research grant programs (New Crop Development Fund, National Research Council, Industrial Research Assistance Program, etc.) provide important additional research in support of the industry. However, there is a certain "ad hocery" regarding the awards, and a similarity of objectives without coordination and cooperation. In a different vein, there is general lack of knowledge within the industry about these projects' existence and purpose. It might be preferable to have had a single, industry-wide proposal which could provide for a major, coordinated program with those companies cooperating who are currently conducting research. Such a proposal could justify creation of a research coordinator to oversee the projects and report results to the whole industry (in a manner similar to the operation of the Canola Council). Greater support of the OASCC Grape and Wine Research Committee by all the participants (Federal, Provincial, university and industry) could improve liaison and cooperation among the groups.

Implications

Scarce research resources would be more efficiently used to the benefit of both the companies and the growers.

Recommendation 20

That the Government of Ontario, through the Ministry of Agriculture and Food, increase its research effort on vinifera grape development.

Rationale

The growers and wineries have not been able to react to the rapidly changing consumer preferences in wine. In part, the time and cost required to shift varieties and the lack of financial incentive to growers and wineries have been factors; however, identification of adapted varieties and the management inputs required to assure stable production of these have been major deterrents also. Representing, as it does, a major limitation in closing the quality gap between Ontario and imported wine, there is some urgency in devoting additional resources at HRIO to minimize the problem. The research proposed should be coordinated by the OASCC Grape and Wine Research Committee and conducted in close association (or cooperation) with the viticulture research currently conducted by the wineries, Agriculture Canada and the University of Guelph. Such liaison could magnify the efforts of the public individuals involved and the winery effort.

Implications

Implementation of this recommendation should hasten the time at which quality varieties can be broadly produced at a more competitive prices to the wineries.

Recommendation 21

That the Government of Ontario, through the Ministry of Agriculture and Food, identify a full-time extension specialist to service the grape industry in the Niagara Peninsula

Rationale

There is a critical and urgent need to accelerate the adoption of hybrid and vinifera grapes. As indicated in other sections of this Report, there are research needs in this area, however the industry must make a start now. A full-time extension specialist could provide the centerpoint for accumulating and disseminating the current information available from research workers, from innovative farmers and from wineries regarding selection and management of preferred varieties. In addition, the individual could assemble relevant information from elsewhere for adaption and adoption here.

Such a person would also remove some of the pressure from research personnel who currently must become involved in this type of activity even though it detracts from their research time.

Implications

Creation of a Grape Specialist within the Plant Industry Branch would provide a key component which is now lacking. There is considerable overall effort in attempting to identify vinifera varieties and management systems, however this effort lacks focus, coordination and synthesis of results into recommendations. The right person would provide the leadership required to move the industry in a directed, confident manner.

Recommendation 22

That the the Government of Ontario direct HRIO, in conjunction with other public and private researchers, to develop a site specific map for grape types within the Niagara and Essex-Kent grape regions.

Rationale

At present, areas of the Niagara Penninsula where vinifera grapes can be grown with stability is a matter of conjecture. Indeed, a few years ago, there was little confidence that they could be grown at all. Current planting distribution is a reflection of grower preference, commitment and management. Over the longer term, increased acreages of vinifera plantings will be critical to the continued improvement in the quality of Ontario wine. Considerable existing background data regarding soils, climate and sugar levels exist which should prove of value. Indeed, the Ontario Institute of Pedology has recently completed a more comprehensive remapping of the areas and is in the process of making interpretation. While some data on the climate of the area(s) are available, they are gross and may need redefinition to be of value. The fact that soil and climatic factors interact with the genetic makeup of varieties and with management systems makes this a difficult task, but one very worthy of pursuit. The very nature of its complexity, makes it vital that all relevant disciplines participate, including land use specialists and pedologists, agricultural meteorologists and viticulturalists. That group should draw upon the considerable experience of the growers and winery researchers.

It should be noted that Agriculture Canada has recently published a very substantial, glossy grape suitability map for the grape growing areas of British Columbia. In view of the greater north-south distribution of grapes in that province, such a publication is of great potential value there; however, even a more modest facimile of that publication could be of great value in Ontario.

Implications

When successfully developed, such a map could be used by growers, wineries and extension personnel to provide guidance for future plantings of grape types. Recognizing that grower preference and grower level of management are over-riding factors, the map could still provide the most reliable information available as a guide to the best use of the areas' resources.

Recommendation 23

That the Ministry of Agriculture and Food, in consultation with the Ministry of Colleges and Universities and the University of Guelph and/or Brock University, investigate the feasibility of offering programs of education in support of Ontario's grape, grape juice and wine industries.

Rationale

There are currently no university programs in the Province specifically tailored to prepare graduates to pursue careers in the overall wine industry. In view of the size of the industry, specific intensive programs could not be justified within the University system. However, the same ends may be achieved by other means. The University of Guelph in its current course offerings has many courses basic to an appropriate education in the area. Were these courses appropriately packaged with either the B.Sc. (Agr.) or B.Sc. programs, perhaps with two to three new courses offered by faculty who are currently involved in research in the area, plus lectures by visiting commercial winemakers, such a curriculum, within a Co-op education format, could prove most valuable to the industry over time. The cooperation of industry (and, perhaps, Government) in providing Work Term experience within their operations would be critical as it would make available "hands-on" experience not available at the university. Well conceived Work Term educational projects could provide the key elements to the development of a most successful program to those wanting a career in the industry.

Major courses in oenology of the quality and level offered in Europe and California could not be justified in the Ontario university system. In view of this fact, the Government of Ontario should investigate the possibility and desirability of offering one or two continuing scholarships to students wishing to pursue education abroad in this area.

Implications

The Niagara Peninsula and Essex-Kent region have a unique climate and many of the major grape varieties grown there are not common elsewhere. While education and experience acquired elsewhere can be important, experience obtained within the area of production can be indispensable to those involved in the industry. Those who "grow up" within the industry do not have to extrapolate from experience gained elsewhere when faced with problems in the indigenous industry.

Recommendation 24

That Government grants, be they Federal, Provincial or Municipal, made for the purpose of increasing employment in regionally depressed areas, be conditional on the recipient of the grants sourcing raw products domestically, whenever available.

Rationale

The Grape Industry in Canada is confined to the southern portion of Ontario and to the southern Okanagan Valley in British Columbia. Grants to support regionally depressed areas have been made in the past to areas with no vested interests in the domestic grape industry but with an interest in providing employment in the area designated. Sourcing of raw product has been at world prices and this product has impacted negatively on the producers and processors indigenous to the grape areas.

Implications

Conditions tied to grants as per the Recommendation would serve the intended purpose of improving employment, and should impact positively on the domestic grape industries, providing proper safeguards, regarding sourcing of domestic raw product, are incorporated into the grant agreement.

Recommendation 25

That the Government support the concept of an increase in the number of "farm" wineries i.e. a small winery which produces wine not in excess of 50,000 gallons per year from grapes grown on the property.

Rationale

Farm wineries add a great deal to the character of a wine region while, at the same time, they do not compete in a significant way with their commercial counterparts. They should be permitted to sell wine both bottled and in bulk at the winery and to local licensees who may wish to serve local wine, but not in LCBO stores. The wine produced by the farm wineries should be of exceptional quality if the winery is to portray the image required. While the Government should not necessarily promote such enterprises, the Government should facilitate their establishment.

Implications

Farm wineries add to the local flavor and character of a wine district. They should produce an exceptional quality of wine which would add to the overall reputation of the region and this should be made a condition of the license. They become major tourist attractions in themselves, which further add to the prosperity of an area. The Province lacks such a resource and expansion of the endeavour would not only add directly to the economy of the area but indirectly too through the change in image of our wine industry.

Recommendation 26

That the Government of Ontario direct the LCBO to immediately cease the trend towards brand proliferation of wine in its stores and, in concert with the Ontario industry, determine means by which total brands available would be substantially reduced for both imported and domestic by means of quota adjustments.

Rationale

The fact that the LCBO carries 1120 different wine brand says it all. It is difficult to find any justification for this number of brands. It must increase the costs and effort of the LCBO and its employees and it stimulates the proliferation of Ontario brands for perceived defensive purposes. At the same time, it is difficult to justify the vast number of foreign brands available at the LCBO. While it might be argued that there is a demand for all brands (or else they don't make quota and are removed), only a few people demand a specific wine. Many wines meet the quota only because they are there and would not be missed by a significant number of consumers if they were not there. Many of these brands might better be placed in rare wine stores or ordered in case-lots by individuals, if required. It is obvious that the wine producing countries of the world perceive Ontario as an easy (almost eager) market for their cheap wines. A reduction in the total number of foreign brands would establish the fact that Ontario is not a dumping ground for all of the cheap wines of the world and that Ontario will ensure the viability of its own domestic industry.

Implications

A reduction in total wine brands would reduce the "clutter" in the LCBO stores and improve their overall efficiency. A reduction in the number of imported brands listed could justify a similar reduction in Ontario brands (a 50:50 proportion should be established). With that accomplished, the Ontario industry might then begin to concentrate on quality instead of proliferation.

Recommendation 27

That the Wine Council of Ontario, with the financial support of the Government of Ontario and the growers, map out and implement a strategy for an extensive promotional program for Ontario wine, including increased effort and visibility in the liquor stores.

Rationale

Foreign governments and wineries mount extensive programs of promotion of their products directed towards Ontario consumers. Print and electronic advertising constantly reinforces the biases surrounding Ontario product. Tastings and competitions typically neglect domestic product. The mystique of foreign wines is maintained and strengthened. While individual company promotional spending is directed entirely at its own brands, little concerted effort is being made to place the Ontario industry in its proper context. Public attitudes can be changed but it will require a significant effort on the part of all involved parties to achieve it. While a promotional program is critically required, the Government, through the LCBO, could play a major additional role, with minimal cost, through the marketing expertise of personnel in the liquor store system.

Implications

In addition to the price competition between imported and domestic wines, there is an image competition. The image of the Ontario product has not changed as quickly as the product itself. As the image improves, the need for the price differential which exists now will cease to have the same urgency as it has today.

Recommendation 28

That the Government of Ontario permit the sale of Ontario brandy in winery retail stores, and investigate means by which greater visibility and consumer awareness of the product might be achieved.

Rationale

An indigenous brandy industry is critical to an indigenous grape and wine industry. The brandy industry represents a market for grapes below the LTL sugar level and an additional outlet for grapes in years of surplus. In addition, in the particular case in Ontario where a more rapid shift to non-labrusca grapes must occur over the short term, a consequence could be a significant increase in the surplus of labrusca grapes. There are significant subsidies placed on brandy industries in other countries. A viable brandy industry would ensure that this important outlet for grapes continues to be available.

Implications

Increased availability (in winery outlets) and increased consumer awareness of domestic brandy could provide the impetus required for the industry to grow. If consumers can be encouraged to try the product, they are impressed with the quality. The problem, however, is to get them to try it. A promotion of the product could assist in rectifying the problem.

Recommendation 29

That the Government of Ontario, through the LCBO, review the standards for the production of fortified wines with the possibility of changing the regulations which permit fortification with grain alcohol, if the economics of the change can be secured.

Rationale

In other areas of the world where fortified wines are produced, it is traditional to fortify with grape alcohol (brandy). In Ontario, this is not the case; fortification is permissible using grain alcohol. The use of grain alcohol, while much cheaper than grape alcohol, discriminates against our domestic grape and brandy industries. However, a change in regulations to require grape alcohol for fortification would result in increased costs of production of fortified wines. In view of the greatly increased demand for grapes if grape alcohol were required, it would appear to be a useful objective, particularly in years of surplus. Significantly, labrusca grapes, which are currently in surplus and which, as labruscas are phased out of table wine production, could become in greater surplus, are satisfactory for grape alcohol production. Additionally, there are areas in the Peninsula where only labruscas can be grown.

The major deterrent to this proposal is the cost implications in the manufacture of fortified wines. Grain alcohol is very cheap; grape alcohol is not. Unless steps are taken to make grape alcohol price competitive with grain alcohol, the economics of production of fortified wines could change such as to make their production uneconomic.

Implications

Utilization of grape alcohol for fortification purposes would result in the use of significantly more grapes in the (fortified) wine industry. Significantly, labrusca grapes, which have been decreasing in demand and will decrease in demand (for table wines) in the future, could be utilized through this change. Concurrently, the quality and flavor of domestic fortified wines should improve as well.

IV. APPENDIX

(a) The following groups and individuals appeared before the Task Force:

Ontario Ministry of Agriculture and Food

Dr. C.M. Switzer
Brian Slemko
Dr. Frank Ingratta
Dr. William Edinger
Dr. Richard Chudyk
Dr. Tibor Fulecki
Helen Fisher

Ontario Ministry of Consumer and Commercial Relations

Don Crosbie

LCBO

Jack Ackroyd
Ron Flett
Don Jackman
Janet Haertel

LLBO

Willis Blair

Ontario Ministry of Industry, Trade and Technology

John Brady
Phillip Allanson

Ontario Ministry of Tourism and Recreation

Paul Deault

Ontario Ministry of Treasury and Economics

Brock Smith
Tom Sweeting

Deputy Premier of Ontario

Hon. Robert Welch
Rev. C. Sulliman

Addiction Research Foundation

Dr. Eric Single

Agriculture Canada

Dr. Donald Menzies
Paul Couse
Dr. Robert Anderson

Department of Finance Canada

Peter Burn
Nick Lapan
Mary Smiley
Pat Molson

Andres Wines Limited

Dr. Joseph Peller
Ted Lister
Newman Smith
David Ringler
David Hojnoski
Larry Gibson
Donald Rogers

T.G. Bright Company Limited

Edward Arnold
David Diston

Culotta Wines of Canada Limited

Rudi Mueller

Inniskillin Wines Inc.

Donald Ziraldo

Jordan and Ste. Michelle Cellars Limited

Richard Mitchell
Jack Corbett

Rieder Distillery Limited

Otto Rieder

Vin-Bon Juice Company

A. Milan

Ontario Fresh Grape Growers' Marketing Board

Strathan Lipsitt
Adrian Huisman

Ontario Grape Growers' Action Committee

Arden Vaughn
Nancy Burnison
Diane Gordon
Lena Byl
Madelin Trioli

Mott's Division of Cadbury Schweppes Powell Inc.

Vera Wood
Larry Puttman
John Laverduro

Wiley Bros. Limited

Keith Wiley

Ontario Restaurant and Food Services Association

John Wood
Amil Rinderlin
Michael O'doud

Association of Canadian Distillers

Ken Campbell
Barney Halstead

Distillers Co. (Canada) Limited

D.B. Sheffield

William Mara Co.

Peter Chubb

Peter Clark

International Trade Consultant

David I. Matheson Q.C.

International Trade Lawyer

Dr. John Jackson

International Lawyer and
Professor

(b) Correspondence received from:

H.C. Abney, Executive V.P.	Paul Masson and Co. Limited
Dr. Gerald Arbus	Wine critic
Tony Aspler	Wine critic
Brian Bannon	Wine writer
Michael Conde, President	Ridout Wines Limited
Peter Dueck	Grape grower
Henry Edigar	Ontario Ministry of Agriculture and Food
Shane Kennedy	Consumer
A.N. Knowles, Sr., Executive V.P.	London Winery Limited
Gary Koestler	Agriculture Canada
Richard Mitchell, President and Chief Executive officer	Jordan and Ste. Michelle Cellars Limited
Ronald Moyer, Former Chairman	Ontario Grape Growers' Marketing Board
John Schreiner	Wine writer/author
Andrew Sharp	Wine writer/broadcaster/author
Richard Singer	Wine writer
Jamie Slingerland	Grape grower
John Swan, Vice President of Marketing	Hillebrand Estates Winery Limited
Donald Wiley	Grape grower

(c) Chairman met individually with:

Duncan Allan	Ministry of Energy
Phillip Andrewes	M.P.P. (former Minister, Ontario Ministry of Agriculture and Food)
Michael Conde	President, Ridout Wines Limited
Jack Couillard	LCBO (retired)
Dr. Frank Eady	Ontario Ministry of Agriculture and Food
Dieter Guttler	Vineland Estate Wine Limited
Karl Kaiser	Inniskillin Wines Inc.
Carlo Negri	Colio Wines of Canada Limited
Dr. Joseph Peller and Associates	Andres Wines Limited
Ewald Reif	Reif Winery Inc.
 Dr. C.M. Switzer	 Ontario Ministry of Agriculture and Food
Brian Slemko	Ontario Ministry of Agriculture and Food
David Girvin	Ministry of Industry, Trade and Technology
Donald Crosbie	Ministry of Consumer and Commercial Relations
Brock Smith	Ministry of Treasury and Economics
Peter Sadlier-Brown	Ministry of Treasury and Economics
Tom Sweating	Ministry of Treasury and Economics